Housing Opportunities Commission
OF MONTGOMERY COUNTY

Adopted Budget
Fiscal Year 2019

GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

Housing Opportunities Comm. of Montgomery County

Maryland

For the Biennium Beginning

July 1, 2017

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, Maryland for its Annual Budget for the fiscal year beginning July 1, 2017.

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

FY 2019

Budget Message

Adopted Budget
June 6, 2018

From Stacy L. Spann, Executive Director

According to a recent study by the Harvard professor Raj Chetty, the earlier a low-income child moves to a good neighborhood the greater their chance at achieving upward mobility. For the most vulnerable children, the vast majority of census tracts in the United States fail to provide that opportunity. The good news is that Montgomery County ranks among the top ten counties in the country for offering vulnerable children a chance at real success. The results of this study tell us what we already know - that the work we do at the Housing Opportunities Commission (HOC), as Housers, matters.

HOC's Fiscal Year (FY) 2019 budget reflects the urgency of our mission and aligns with the Agency's 2018-2022 strategic plan. As Housers, our work is focused on just three things:

1) Getting People Housed;
2) Keeping People Housed; and
3) Helping Customers Reach Their Fullest Potential.

One of the most important ways we do this is by creating Community Connected Housing and serving the whole family. Community connected housing exists in "healthy" neighborhoods that provide strong employment, educational and recreational access as well as environmental amenities that include local service institutions.

With these priorities in mind, this FY 2019 budget sets a course that continues to *invest in affordable housing assets as we expand and preserve the County's affordable housing supply*. We will do this by enhancing affordability and increasing the number of housing resources available within the County.

To accomplish this, HOC employs diverse financing and development strategies to get people housed and meet the range of affordable housing needs in the County. One example is the way we have maximized the opportunity presented through the use of HUD's Rental Assistance Demonstration (RAD) Program, where we are positioned to increase the overall supply of mixed-income affordable housing in Montgomery County, creating integrated communities where crucial resources exist. In the spring of 2019, we will have completed the conversion of all our multifamily Public Housing properties to project based subsidies. HOC's ability to pivot toward more sustainable funding has resulted in significant reinvestment in our real property assets. As a result, we are able to provide stable, high-quality affordable housing that families can depend on.

In addition to investing in our housing and increasing the overall supply, HOC intends to *leverage our valuable and scarce resources to strengthen agency operations* by being strategic in how we use resources. One way that we will do this is by reducing and streamlining paperwork wherever possible to get people housed as quickly as possible.

Special points of interest:

"The FY 2019 budget sets a course that continues to *invest in affordable housing assets as we expand and preserve the county's affordable housing supply*.

This budget continues to make technology investments that provide more self-service options so that customers can get answers to questions, submit paperwork, or request service 24 hours a day.

HOC will keep people housed by ensuring units are maintained to the highest standards and that customers remain connected to their community. By offering service connections and counseling services to at-risk households, HOC helps increase housing stability for vulnerable populations, including seniors and persons with disabilities. Over the past year, HOC customers have benefited from increased programming on financial literacy and budget counseling in addition to other supportive services that help keep families stably housed. Developing and implementing interventions that meet customers where they are along the spectrum of affordable housing needs is crucial to stemming housing loss for at-risk populations.

Furthermore, keeping families connected to their homes requires significant attention to and investment in both property maintenance and property management. Effective and efficient operation of both divisions are necessary to ensure the preservation of affordable best-in-class properties.

Streamlining programs and operations will allow staff to *spend less time processing paperwork and more time focusing on our customers*. By enhancing both program efficiency and service delivery, HOC can provide greater support to our most vulnerable customers so they remain stably housed.

Through programs like HOC Academy, Family Self-Sufficiency, and the Fatherhood Initiative, HOC helps customers reach their fullest potential by developing strategic community partnerships that offer robust workforce, training and educational opportunities. Together with non-profit organizations, schools, and other agencies, HOC provides customers with the tools and training to take charge of their futures and pursue their ambitions. Using a two-generational approach, we look for opportunities to engage both parents and children together, ensuring the whole family has access to HOC's basket of services.

This Fiscal Year 2019 budget demonstrates these priorities of connecting customers to opportunity and reinforcing our identity as Housers. As mission-driven Housers and Montgomery County's foremost affordable housing provider, we embrace our role as community-builders and conveners, using housing as a platform.

Essential to our work are partners and volunteers who demonstrate an unwavering sense of duty to this community. Their passion helps drive our work, and will help propel our mission forward. Our ability to continue innovating in Montgomery County requires strong partnerships and collaboration with the County Executive and County Council. Finally, with the steady guidance of our Commissioners and the hard work of our staff, HOC will continue to pursue a vision of Montgomery County where individuals can improve their economic status, remain stably housed and reach the goals they hold for themselves and their families.

The research findings are clear, Montgomery County is among the best communities in the country for vulnerable children to live and grow so they have the best opportunity to reach their potential if their basic needs are met. *One of the most basic of needs we all have is shelter*. We believe a community like Montgomery County deserves world-class housing options so that all of its citizens may thrive.

The FY 2019 Operating Budget of $264.7 million and Capital Budget of $249.7 million support these priorities and objectives and endeavors to honor the support we continue to receive from all of our partners.

Budget Highlights

FY 2019 Budget Highlights

Real Estate Development

During FY 2019, the Real Estate Development Division will continue to reflect on community building within the context of the HOC Real Estate Portfolio. This continued effort will be driven through three (3) basic principles: revitalization, regeneration and preservation. HOC's revitalization efforts will continue to focus on the modernization of the physical improvements to HOC's comprehensive design and efficiency guidelines. As a result of this implementation, more of the portfolio will be highly amenitized and desirable for our residents. The regeneration effort will continue to closely focus on the people in the communities HOC serves. HOC has directed its efforts around building partnerships with existing residents and neighbors to honor the sacredness of the created space and transform it without excluding or displacing long-term community members. These efforts require creative thinking, innovative partnerships and patience to implement, and the results will create a model that is scalable and welcomed throughout the County. The preservation effort will be through acquiring affordable rental communities throughout Montgomery County that are vulnerable to redevelopment and resident displacement. HOC is unique in that through the Montgomery County, Maryland Right of First Refusal (ROFR) Ordinance, HOC has the right to match a sales contract, should HOC deem that the acquisition fits within its mission and is able to obtain financing.

In FY 2019, HOC will have converted its tenth Public Housing assets to Project Based Section 8 subsidy via the Rental Assistance Demonstration (RAD) program. These conversions included total combined project budgets of $100 million and raised capital sufficient to perform $26 million in hard cost renovations to the properties. Including the completed renovations to the RAD 6 properties now complete, which converted via RAD during FY 2015, HOC has now funded renovations for eight (8) of its 11 Public Housing assets. HOC plans to redevelop and permanently relocate the residents from the remaining Public Housing assets. Emory Grove, one of the remaining three, completed its permanent relocation in FY 2015 and demolition will occur in FY 2019. Holly Hall converted in FY 2018; however, some residents will remain at the property until the completion of 8240 Fenton, formerly known as 900 Thayer, which is the transfer of assistance property for 84 of the Holly Hall RAD subsidies. Once the transitions have completed, HOC would have effectively stabilized its former Public Housing portfolio, which comprised some of HOC's most vulnerable and underperforming assets.

FY 2017 saw HOC's first new construction start in a decade. In early FY 2017, HOC closed on the construction financing for and began building a new 11-story, 200-unit multifamily rental building on Chevy Chase Lake Drive in Chevy Chase, Maryland, called The Lindley. The $74 million project will deliver 40 new affordable housing units and 40 new workforce housing units to one of the most affluent parts of the eighth most affluent county in the United States. A comprehensive renovation of HOC's 312-unit Alexander House with a total project cost of $70 million also began in FY 2017. The Alexander House renovation is the first phase of HOC's Elizabeth Square project – the redevelopment of an entire downtown block of Silver Spring to be completed in four (4) phases. The first of two new-construction phases of the redevelopment will begin in FY 2019.

HOC started a second new construction project – 8240 Fenton, formerly known as 900 Thayer – in the fourth quarter of FY 2018. The land at 8240 Fenton was purchased fully entitled for 124 multifamily units during FY 2016. The Commission will be able to place this new rental community into service by FY 2020, as relocation housing for its 10th RAD conversion, Holly Hall. Designed as a market-rate rental property, the use of 8240 Fenton as relocation housing will produce deeply subsidized but highly amenitized rental units in one of the most desirable parts of downtown Silver Spring.

In each of the five (5) fiscal years to follow FY 2019, HOC expects to start at least one additional new construction project. The advent of what is becoming the most productive period in HOC's history is largely driven by the coincidence of the emergence of RAD in response to the Public Housing funding crisis and Montgomery County's revisiting its sector and master plans (usually done every 20 to 30 years).

In FY 2018, the Real Estate Development Division also concentrated on completing the renovation of Arcola Towers and Waverly House, both senior housing communities and former Public Housing that were converted under RAD. With a combined renovation costs of $36 million, Arcola Towers and Waverly House are effectively "like new", which have greatly improved the lives of 141 and 158 senior households, respectively. In addition, HOC exercised its rights under the ROFR Ordinance, and purchased toward the end of FY18 Cider Mill Apartments, an 864-unit affordable community located on 43 acres in Montgomery Village with rents below 60% of the Washington Metropolitan Statistical Area Median Income ("AMI").

In FY 2019, HOC will begin to address another large set of vulnerable assets within its portfolio. These are properties which have come to the end of the 15-year initial compliance periods ("Year 15 Portfolio") related to their use of Low Income Housing Tax Credit ("LIHTC") equity in funding prior renovations. Much like the Public Housing properties, the Year 15 Portfolio requires a reinvestment plan that produces either a comprehensive renovation of the property or a redevelopment of it.

However, in addition to being substantially larger, the restructuring and recapitalization of the 1,491-unit Year 15 Portfolio also differs from the restructuring and recapitalization of the Public Housing portfolio in two important ways. First, each of the Year 15 properties has at least two existing debt obligations. Second, each has an existing limited partner investor. Ensuring that all physical capital needs are met, while still retiring all existing debt and maximizing value to HOC, will require implementing strategies that are possibly more challenging to produce but essential. The first two Year 15 properties to undergo redevelopment will be Shady Grove Apartments and Stewartown.

Owning property in nearly every Montgomery County sector and master plan, HOC has had several properties receive substantially increased density through the revision of zoning within those plans. By the time all of the sector and master plans have been reviewed in five (5) years' time, HOC will have had more than a dozen properties receive additional height and density – almost every time in a multiple of its existing density.

The re-syndication and renovation of some of the Year 15 properties, the two new construction starts, and several other related renovations, will generate approximately $4.3 million in expected development fees in FY 2019.

Mortgage Finance

In 2013, the Commission, in conjunction with the U.S. Department of Housing and Urban Development's (HUD) Rental Assistance Demonstration (RAD) program, embarked on an initiative to convert the Agency's Public Housing to Project Based Voucher subsidy, thereby allowing the Commission to exit the traditional Public Housing program. This effort has presented an opportunity for the Multifamily Program, allowing for the issuance of tax-exempt financing, to participate in the rehabilitation or redevelopment of all 11 multifamily developments in the HOC Public Housing portfolio, with an emphasis on green, high quality, amenity rich rehabilitation to meet the needs of the residents and to clear a large and long backlog of capital needs. In FY 2015 and FY 2016, the Multifamily Program successfully financed the rehabilitation of eight (8) former Public Housing properties: Washington Square, Ken Gar Townhomes, Parkway Woods Townhomes, Towne Centre Place Townhomes, Sandy Spring Meadows Townhomes, Seneca Ridge Townhomes, Arcola Towers and Waverly House. RAD transactions will continue in FY 2019 and beyond, until the Commission exits Public Housing all together.

In August 2015, the Commission continued to widen its financing resources by authorizing the participation in a Federal Housing Administration (FHA) partnership with the Department of Treasury's Federal Financing Bank (FFB), whereby FFB would finance mortgages for stabilized and moderately rehabilitated developments that are insured by the FHA Multifamily Mortgage Risk-Sharing Program. The initiative builds on the success of the Risk Sharing Program by reducing the interest rate for affordable multifamily apartment development, compared to the cost of tax-exempt bonds, and provides long-term financing at rates benchmarked to a Ginnie Mae execution. Ginnie Mae is permitted to back other FHA mortgage insurance programs (i.e. HUD Section 221(d)(4) and 223(f)). In FY 2017, the Commission issued its first commitments to fund permanent mortgages under the FFB/FHA program for Alexander House and The Lindley, and in FY 2018, closed two (2) FFB/FHA mortgage loans for a combined amount of $145 million issued for Cider Mill Apartments, Timberlawn Apartments and Pomander Court. This program is also offered to private developers, and in FY18, the Commission issued its first commitment to fund a third-party transaction slated to close in FY 2019.

The Multifamily Program continues to issue tax-exempt bonds for LIHTC transactions that provide the financing for the acquisition, construction or rehabilitation of affordable, mixed-income communities. These mortgages are insured by the FHA Risk Sharing Program. In FY 2018, the Commission issued $12 million in tax-exempt bonds to finance the acquisition and rehabilitation of Greenhills Apartments, located in Damascus, Maryland.

In FY 2019, the Multifamily Program will continue to contribute Commitment Fees, Loan Management Fees, and other overhead revenue to the Agency's Operating Budget. This fiscal year will continue to present challenges: a changed financial and real estate market landscape; competition for development and acquisition opportunities in Montgomery County; pressures on tax exempt yields; and, limited access to soft debt to support affordable housing. Further, interest rates are expected to trend upward as the Federal Government tapers off its quantitative easing. The challenges notwithstanding, the Multifamily Program anticipates earning approximately $3.5 million in Commitment Fees in FY 2019.

In the Single Family Mortgage Purchase Program, the housing market has shown signs of improvement reflected in increased property values, resale prices, and shorter time periods on the market. Delinquencies and foreclosures have also seen an improvement, as numbers continue to trend downward; however, the amount of available affordable for-sale options have decreased, as seen in the decline of affordable home closings. As interest rates continue to push higher, having varied affordable mortgage and down payment assistance options will be necessary.

On May 5, 2012, the Commission enhanced the Single Family Mortgage Purchase Program (MPP) by adding a mortgage-backed security option and approved U.S. Bank National Association, as the Master Servicer for the program. The Commission now purchases guaranteed mortgage securities rather than whole loans. Servicing rights and responsibilities are transferred to U.S. Bank, thereby reducing delinquency and foreclosure risks for the Commission, while continuing to provide low cost mortgages to Montgomery County residents. In addition, Fannie Mae approved the Commission's participation in its HFA Preferred MBS program , in July of 2014,. Therefore, since the Commission's MBS implementation, the Commission not only delivers MBS's that are guaranteed by Ginnie Mae for FHA insured loans, but also MBS's that are guaranteed by Fannie Mae, allowing the Commission to reenter the conventional market.

Due to this expansion, in August 2015, the Commission approved adding to the Single Family MPP below market interest rate loans (relative to MBS pricing) for first-time homebuyers, U.S. Department of Veterans Affairs (VA) loans, a non-first time homebuyers product, and governmental and conventional refinancing loans.

In 2017, HOC developed the Crossroads to Homeownership Pilot Program to provide an opportunity for first-time homebuyers who fall below the Single Family Program's minimum credit score of 660 but within the allowed credit score limits of FHA insured mortgages. For the Crossroads Program, a borrower must have a credit score between 620 and 659, and meet certain other requirements. Also in 2017, the Commission approved accepting a $1 million grant from

Montgomery County to establish the Montgomery County Homeownership Assistance Fund, which will provide down payment and closing cost assistance for up to 40% of the household's qualifying income for a maximum of $25,000. This new fund will roll out in FY 2019.

In June 2018, the Single Family Program completed a bond issuance that included the redemption of $8.45 million of single family mortgage revenue bonds and $29.45 million in new monies to purchase MBS's, which will be backed by below market interest rate mortgage loans for first-time homebuyers. Of these monies, $2 million have been set aside for the Crossroads to Homeownership Pilot Program, which will be whole loans insured by FHA. Funds will be available to first-time homebuyers in the coming fiscal year.

In FY 2019, the Single Family Program is expected to continue to operate within the MBS secondary market and introduce a Freddie Mac conventional option to its loan products. For FY 2019 one (1) single family bond issuance is anticipated that will generate approximately $30 million of new monies to purchase MBS's or make mortgage loans. Two scheduled redemptions will also be completed in FY 2019 totaling approximately $13 million under the Mortgage Revenue and Housing Revenue Bond Indentures.

Property Management Division

The Property Management Division was restructured during FY 2016, and is now focused on managing the Agency's assets by providing operational and financial oversight and managing the operating budgets and capital budgets for the Agency's portfolios. Three Asset Managers oversee performance of onsite management staff, conduct regular property inspections, coordinate communication from the properties to HOC corporate office, and prepare reports and analyses to evaluate property performance.

Property Maintenance Division

In 2016, the Maintenance Division was bifurcated from Property Management to form its own division under the direction of a Chief Maintenance Officer, a Maintenance Manager, and four Maintenance Supervisors. The Maintenance Division supervises and coordinates all HUB maintenance operations, fire and safety programs, and equipment inventory control, and ensures that the condition and appearance of the properties meet HOC standards. To ensure housing stock is maintained, Maintenance creates Requests for Proposals (RFPs) and Invitations for BID (IFBs), generate new service contracts, and approves purchase requisitions.

Housing Choice Voucher and Public Housing (Federally Funded Programs)

As Montgomery County's Public Housing Authority, HOC administers a Housing Choice Voucher (HCV) Program and is authorized to provide 7,179 vouchers. The voucher assistance is provided to families throughout the County, in apartments, townhouses, single family homes, mid- and high-rise buildings, and senior apartment communities. HOC was required to implement the mandatory use of Small Area Fair Market Rents (SAFMR) on April 1, 2018. As a result, we now have 26 different Voucher Payment Standards according to Montgomery County zip codes. The Voucher Payment Standards (VPS) are used to calculate the maximum subsidy that HOC will pay toward rent and utilities for rental units leased to HCV families in Montgomery County. In addition, HOC still owns and manages 136 Public Housing elderly units.

Housing Choice Voucher

HUD's allocation of vouchers includes Mainstream Disabled, Moderate Rehabilitation, Rental Assistance Demonstration (RAD) and Veterans Affairs Supportive Housing (VASH) vouchers. The voucher programs provide housing subsidy assistance through an array of categories such as Non-Elderly Disabled vouchers, Witness Protection vouchers and Opt-Out vouchers. HOC also administers a Project-Based Voucher (PBV) Program wherein the subsidy is tied to the actual unit. PBV contracts cannot exceed 20% of HOC's program baseline of 7,179 units are granted through the Request for Proposal (RFP) process. Additionally, HOC supports a Voucher Homeownership program which allows eligible voucher clients to use their voucher subsidy towards mortgage payments. The FY 2019 Adopted Budget was developed based on current utilization projections for FY 2018 and the anticipated funding levels provided by HUD for CY 2018 which projects a funding level for FY 2019 of $89.8 million . The 2014 Appropriations Act requires that HUD apply a re-benchmarking renewal formula based on validated leasing and cost data in the Voucher Management System (VMS) for CY 2018 to calculate the PHA's renewal allocation. Staff anticipates allocations of new vouchers and associated funding will be limited to special projects, Disposition, or for Veterans and Disabled persons. HOC will continue to respond to funding opportunities as they are presented.

Public Housing and RAD

HOC was approved for the Disposition of 669 Public Housing Scattered Site units through the Public Housing Demolition and Disposition program as described in Section 18 of the Housing Act of 1937. The Disposition was completed in August 2015. The program maintains long term affordability of the units and allows clients residing in the units, at the time of the Disposition, to use Housing Choice Vouchers to assist with rental expenses.

HOC also applied for and was approved to participate in the Rental Assistance Demonstration Program (RAD). HUD's RAD program preserves our housing stock and improves the lives of the clients we serve by converting multifamily properties receiving Public Housing subsidy to long-term project based Section 8 rental assistance contracts. Eight multifamily Public Housing communities had converted to RAD by December 2015, and the remaining properties began conversion in February 2018 with completion of the transition expected by Spring 2019.

HOC will continue to receive operating subsidy on the remaining Public Housing portfolio from HUD to bridge the gap between what residents pay in rent, which equals 30% of their adjusted gross income, and the cost of operating the units. The FY 2019 Budget was based on an 90% appropriation of eligibility and anticipates HOC will receive approximately $750 thousand for FY 2019. The FY 2019 Adopted Budget also includes funding from Montgomery County via the County Main Grant to help offset rising utility costs.

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 $6.7 million operating budget supported 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. The County's appropriation also supports HOC's properties, Housing Resource Service and Customer Service Centers.

Montgomery County has also been generous in providing capital support to HOC. For FY 2019, the County Executive's Adopted Capital Improvement Program includes $1.25 million for capital improvements for HOC's deeply affordable units as well as a continuation of the funding necessary to complete the installation of sprinkler systems at Arcola Towers and Bauer Park.

HOC Academy

HOC offers expanded client services designed to help families and children break the cycle of inter-generational poverty. Started in 2014, HOC Academy has introduced programs to enable clients to become more self-sufficient through workforce development, training workshops and higher education opportunities.

In the area of youth enrichment, through HOC Academy, the Agency has increased the number of youth programs to include Science Technology Engineering and Math (STEM) activities; summer camps; educational field trips; and internships using grant awards totaling more than $50,000. In the summer of 2015 HOC Academy offered two robotics camps and a game design camp, through those programs we were able to accommodate 60 youth. During the fall HOC Academy hosted 40 middle-school students at the West Point Mobile STEM Workshop and started our first afterschool robotics program at Tanglewood Apartments. In November 2015, HOC launched its new Girls Got IT! program using a $3,000 grant from the National Center for Women & Information Technology (NCWIT). Since then, the program was awarded additional grants that allow the Agency to expand and serve more youth. Girls Got IT! targets girls in middle and high school. Using a near-peer model, Girls Got IT! inspires them to pursue technology-driven interests and careers.

From its beginning in the summer of 2015, HOC Academy's youth program has engaged over three time as many young people in STEM programs. Over 400 youth have participated in STEM programs and events during the past fiscal year. Through new partnerships with MD Bio and Gap Buster, Inc. we hope to grow our STEM outreach even further.

Fatherhood Initiative

HOC is the first public housing agency ever awarded the Fatherhood Initiative grant from the U.S. Department of Health and Human Services' Administration for Children and Families. HOC's Fatherhood Initiative program kicked off in June 2016. The $695,000 grant is renewable for five years and provides resources for classes, counseling, workforce development training and other services to fathers and their families.

Table of Contents

Adopted Budget
June 6, 2018

FY 2019 Adopted Budget

*** Please access Hyperlinks by selecting the title of the section you are trying to view.**

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Reader's Guide

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.

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Budget Overview

Adopted Budget
June 6, 2018

Overview—Revenue and Expense Summary

	FY 2019 Adopted Budget		
	Revenues	Expenses	Net
General Fund	$24,174,500	$25,377,070	($1,202,570)
Restrict to GFOR	$0	$1,111,570	($1,111,570)
Multifamily Bond Funds	$17,012,280	$17,012,280	$0
Single Family Bond Funds	$10,433,580	$10,433,580	$0
Opportunity Housing Fund			
Opportunity Housing Reserve Fund (OHRF)	$4,701,930	$1,446,820	$3,255,110
Restrict to OHRF	$0	$3,255,110	($3,255,110)
Opportunity Housing & Development Corporation Properties	$90,060,810	$87,840,090	$2,220,720
Draw from GFOR for MetroPointe Deficit	$93,420	$0	$93,420
Public Fund			
Public Housing Fund	$1,167,060	$1,442,060	($275,000)
County Contributions towards Public Housing	$275,000	$0	$275,000
Housing Choice Voucher Program (HCVP)	$98,902,580	$99,535,370	($632,790)
County Contributions towards HCVP Administration	$632,790	$0	$632,790
Federal, State and County Grants	$17,250,490	$17,250,490	$0
TOTAL - ALL FUNDS	**$264,704,440**	**$264,704,440**	**$0**

Revenues and Expenses include inter-company Transfers Between Funds.

Fund Structure

This section summarizes the Agency's FY 2019 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 (McHome vs. Metropolitan).

The Housing Opportunities Commission will approve the FY 2019 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 approximately 68% of HOC's revenue sources for FY 2019 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 Single Audit report for the Federal single audit for all Federal expenditures during a given year. All public funds are restricted based on grant requirements from the various government 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)
Sources			
Loan Management Fees	Rental Income	Rental Income	Mortgage Interest Payments
Commitment Fees	Service Income	Service Income	Interest Income
Development Fees	Federal, State & County Rent Subsidies	Federal Subsidies & Grants	Financing Fees
Interest Income	Interest Income	County Grants	Cost of Issuance Fees
Management Fees	Miscellaneous Income	Interest Income	
Asset Management Fees			
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	
Property Management	Development Corporation Properties		
Tax Credit Development	Development Corporation Capital Improvements		
Facilities & IT Capital Needs	Homeownership Revolving Loan Funds		
Vehicle Lease Payments	Mortgage Payments		
Insurance Reserve	Required Reserve Contributions		
	Vehicle Lease Payments		
Project / Grant funds included in each Agency Fund			
General	Opportunity Housing Properties	Public Housing Rental	Multifamily Bonds
Intra-Agency Allocations	Development Corporation Properties	Housing Choice Voucher Programs	Single Family Bonds
Private Loans		Housing Choice Voucher Special	Intra-Agency Debt Service
General Partnerships		McKinney Grants	
		Other Federal Grants	
		County Main Grant	
		Other County Grants & Loans	
		State Pass-Through Grant	

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. In addition, the Commission operates an agenda information line which provides information to the public on the upcoming agenda, 240-627-9784. The Special Assistant to the Commission can be contacted directly at 240-627-9425. 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 late afternoon.

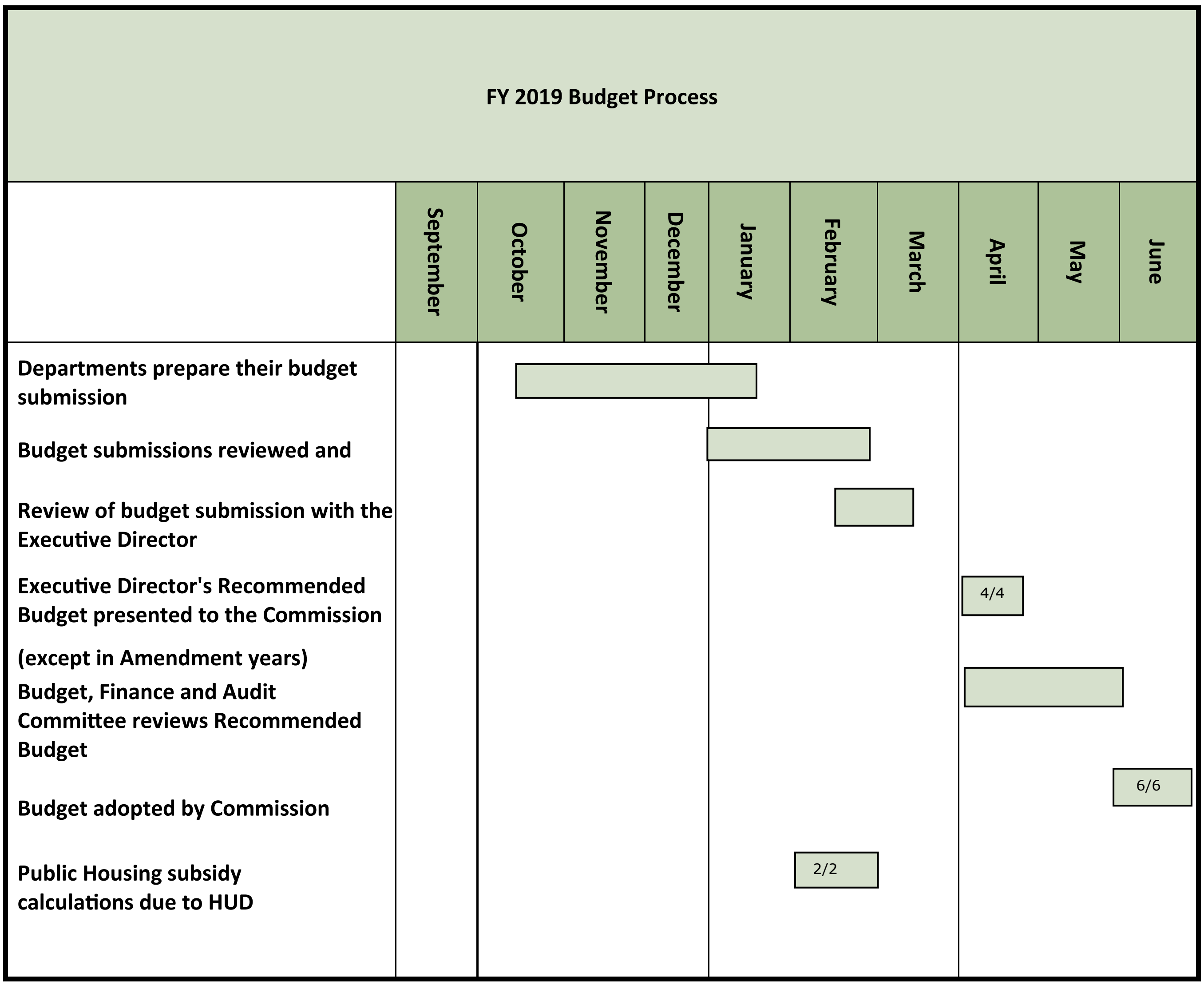
HOC's approved budget is provided to elected officials. In addition, the approved budget is made available electronically via the HOC website (www.hocmc.org).

Budget Calendar—FY 2019

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 2019 Budget Process



Overview—Strategic Plan

The strategic planning process provides the opportunity for HOC's leadership to examine and rededicate itself to a longstanding tradition of providing innovative housing solutions. The Board of Commissioners, HOC Leadership, and staff reviewed past practices and developed strategies to address the affordable housing needs in Montgomery County.

HOC's 2018-2022 Strategic Plan continues to serve as the organization's roadmap – providing a clear vision and ensuring financial and human resources are mission aligned. Looking back over the previous budget cycle, the strategies laid out in HOC's 2013 - 2017 Strategic Plan successfully moved the agency's mission forward and should be continued. HOC's Board of Commissioners approved the current Strategic Plan at the October 4, 2017 Commission meeting.

The 2018-2022 Strategic Plan acknowledges the rapid pace at which HOC has pushed the boundaries of affordable housing development and calls for continuing this pace through a bold and thoughtful approach to our work. As in previous versions, this Strategic Plan contains an introduction that describes the economic, political, demographic and real estate environments in which the agency operates as well as the objectives on which the agency will concentrate its efforts.

Furthermore, the 2018-2022 Strategic Plan renews our strategic vision and makes clear our core identity as Housers.

It concentrates HOC's efforts to develop and implement solutions to the problem of meeting the County's ever-expanding need for affordable housing. Specifically, the plan lays out our strategic objectives for Getting People Housed; Keeping People Housed; and Helping Customers Reach Their Fullest Potential:

- Getting People Housed: Increase the supply of affordable units in Montgomery County through development, financing, maximizing federal resources and advocacy at the Federal, state and local level.

- Keeping People Housed: Provide every high-risk customer with assessment and service coordination in an attempt to stem housing loss and keep our most vulnerable customers connected to housing and their community.

- Helping Customers Reach Their Fullest Potential: Extend enrichment and supportive services beyond the 13,800 households served by our current housing programs to some of the nearly 32,100 households on our Housing Path wait list by making training available online.

Operating Budget—FY 2019 Adopted

HOC adopted an operating budget for FY 2019 of $264.7 million on June 6, 2018. Revenues are generated in two ways:

1. Grants, other funding sources, and the cash flow from HOC properties generate 87.32% of total revenues.
   - $90.5 million (34.20%) is from property rents and service income.
   - $113.9 million (43.05%) is from Federal and County grants.
     - $103.1 million (38.96%) is from Federal grants, which includes $85.8 million in HUD Housing Choice Voucher Assistance Payments that are passed through to Montgomery County landlords, for which HOC earns administrative fees.
     - $10.8 million (4.09%) 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.
   - $26.7 million (10.07%) is from management fees and miscellaneous income.
2. Non-operational income derived from HOC's bond-financing operation, real estate financing fees and interest earned on investments generate 12.68% of total revenues.
   - $24.3 million (9.17%) is from mortgage interest income which pays the debt service on HOC housing revenue bonds and interest earned on cash investments.
   - $9.3 million (3.51%) is from miscellaneous bond financing operations and transfers between funds.

FY 2019 Adopted Revenue and Expense Statement

Operating Budget		Non-Operating Budget	
Operating Income		**Non-Operating Income**	
Tenant Income	$89,386,010	Investment Interest Income	$24,268,290
Non-Dwelling Rental Income	$1,140,630	FHA Risk Sharing Insurance	$671,570
Federal Grant	$103,128,540	Transfer Between Funds	$8,636,510
County Grant	$10,820,850		
Management Fees	$26,485,560		
Miscellaneous Income	$166,480		
TOTAL OPERATING INCOME	**$231,128,070**	**TOTAL NON-OPERATING INCOME**	**$33,576,370**
Operating Expenses		**Non-Operating Expenses**	
Personnel Expenses	$44,267,770	Interest Payment	$35,796,720
Operating Expenses - Fees	$16,819,110	Mortgage Insurance	$787,240
Operating Expenses - Administrative	$7,915,680	Principal Payment	$8,542,110
Tenant Services Expenses	$6,816,520	Operating and Replacement Reserves	$12,053,800
Protective Services Expenses	$812,920	Restricted Cash Flow	$10,311,070
Utilities Expenses	$5,899,780	Development Corporation Fees	$6,898,050
Insurance and Tax Expenses	$2,682,320	Miscellaneous Bond Financing Expenses	$29,430
Maintenance Expenses	$8,110,030	FHA Risk Sharing Insurance	$671,570
Housing Assistance Payments (HAP)	92,078,280	Transfer Out Between Funds	$4,212,040
TOTAL OPERATING EXPENSES	**$185,402,410**	**TOTAL NON-OPERATING EXPENSES**	**$79,302,030**
NET OPERATING INCOME	**$45,725,660**	**NET NON-OPERATING ADJUSTMENTS**	**($45,725,660)**

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Section 1:
SUMMARY
Tab

Summary

Adopted Budget
June 6, 2018

Mission and Vision Statements

Mission

The mission of the Housing Opportunities Commission is to provide affordable housing and supportive housing services that enhance the lives of low- and moderate-income families and individuals throughout Montgomery County, Maryland so that:

- No one in Montgomery County lives in substandard housing;
- We strengthen families and communities as good neighbors;
- We establish an efficient and productive environment that fosters trust, open communication and mutual respect; and
- We work with advocates, providers and community members to maintain support for all the work of the Commission.

Vision

It is our vision that everyone should live in quality housing that is affordable, with dignity and respect. At HOC we believe this vision can be achieved by ensuring amenity rich, community connected housing for all of Montgomery County's residents where all people can reach their fullest potential. We believe supportive programs, delivered through mission-aligned partnerships, help our customers improve their economic status, remain stably housed and reach the goals they hold for themselves and their families.

Special points of interest:

Strategic Plan Goals

Getting People Housed

HOC will increase the supply of affordable units in Montgomery County through development, financing, maximizing federal resources, and advocacy at the Federal, state and local level.

Measure:

Expand the supply of affordable housing within the county by 1,000 by 2022.

Implementation Actions:

- Maximize the number of households served by the Housing Choice Voucher program.
- Expand the supply of affordable housing by developing Community Connected Housing.
- Increase the number of affordable units in HOC's portfolio through development, redevelopment and acquisition.
- Preserve the current supply of affordable housing units through acquisition as well as investing in HOC's current portfolio to ensure units are not lost to obsolescence or disrepair.

- Increase the number of affordable units developed in the county by supporting the development of non-HOC-owned affordable units through bond issuances.
- Increase the number of mortgages provided to Montgomery County residents.
- Advocate for additional housing resources and supportive policies sent within the county through Housing Choice Vouchers, Tax Credits and other affordable housing tools.

Keeping People Housed

HOC will provide every high-risk customer with assessment and service coordination in an attempt to stem housing loss and keep our most vulnerable customers connected to housing and their community.

Measure:

Increase housing stability for vulnerable populations by offering service connections and counseling services for 100% of vulnerable households identified as “at risk”.

Implementation Actions:

- Conduct assessments for every HOC customer identified as “at-risk” for termination to assess supportive service needs and appropriate intervention alternatives.
- Develop and implement an early intervention system that identifies and offers services to all elderly and disabled residents who are at-risk for eviction and/or termination.
- Implement new initiatives that expand housing assistance for vulnerable populations.
- Strengthen our partnership with Montgomery County Department of Health and Human Services (DHHS).
- Explore data sharing agreement with key service providers, including DHHS, to facilitate access to physical and mental health services and intervention among shared clients.

Helping Customers Reach Their Fullest Potential

HOC will extend enrichment and supportive services beyond the 13,800 households served by our current housing programs to some of the nearly 32,100 households on our Housing Path wait list by making training available online.

Measure:

Increase participation in Adult Education, Workforce Development and Youth Education and Enrichment programs by 30%, touching 1,300 households annually.

Implementation Actions:

- Expand participation in the Family Self Sufficiency Program among HCV customers.
- Develop strategic partnerships with employers to create a Job Pipeline for HOC customers who successfully complete employment and other education based training programs.
- Expand the number of internet based training programs available to persons on the HOC Housing Path wait list.
- Extend recruitment for Workforce Development, Adult Education and Youth Education and Enrichment services to customers on the HOC Housing Path wait list where appropriate and resources are available.

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 accounting category),
- By division structure, and
- By the specific property or grant.

The following pages of this section highlight the Agency's FY 2019 Adopted Operating Budget.

The charts on pages 1-4 through 1-7 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 1-8 shows the FY 2019 Operating Budget by accounting classification. This chart summarizes all Agency Funds. The FY 2019 Operating Budget is balanced.

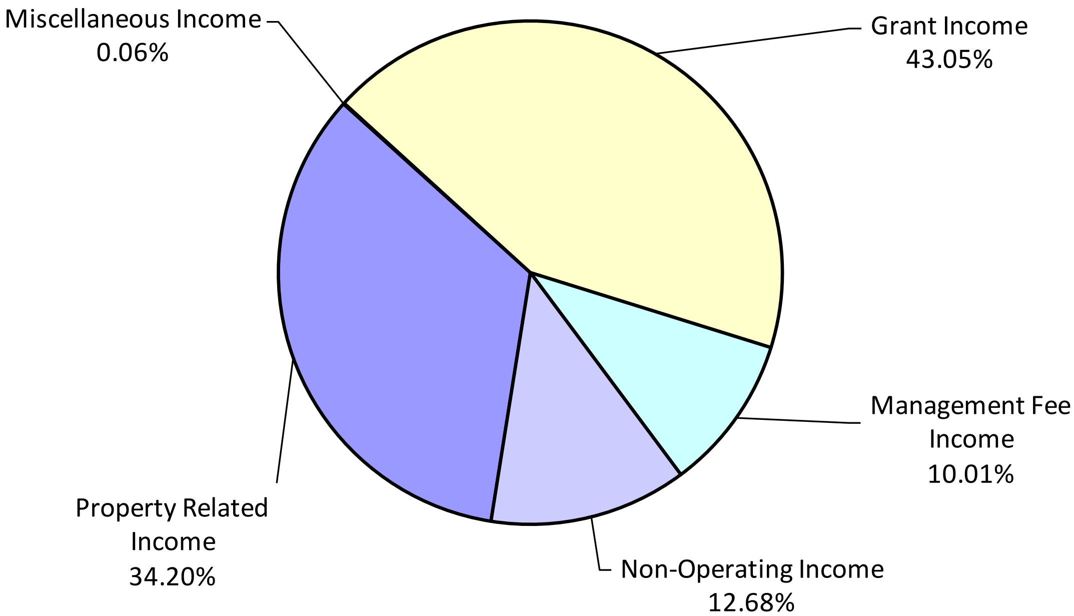
The charts on pages 1-9 illustrate the FY 2019 external as well as internal revenue restrictions. Although HOC has a $264.7 million budget in FY 2019, only 9.12%, or $24.1 million, may be used by the Commission for discretionary expenses.

The chart on page 1-10 summarizes the General Fund. In FY 2019, the General Fund generates a Net Operating Income deficit of $2.3 million.

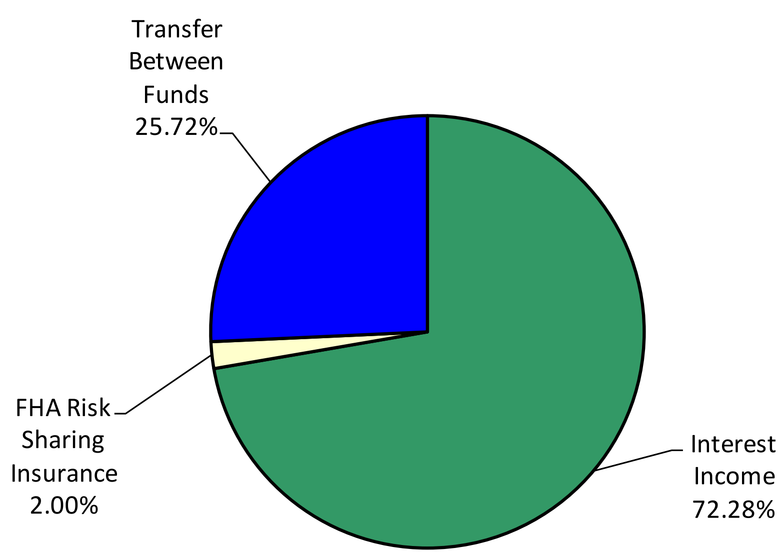
Charts are also included in this section which show the revenue, expense and net cash flow for the properties as well as the annual operating budget for each of the grants.

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

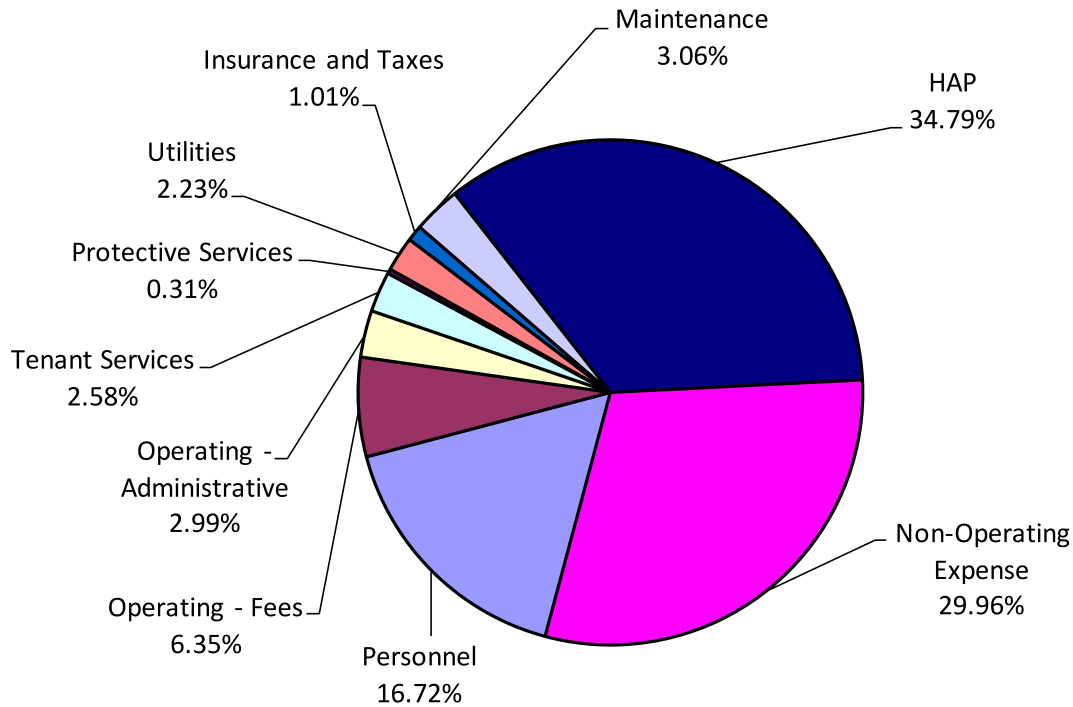
Source of Funds—FY 2019



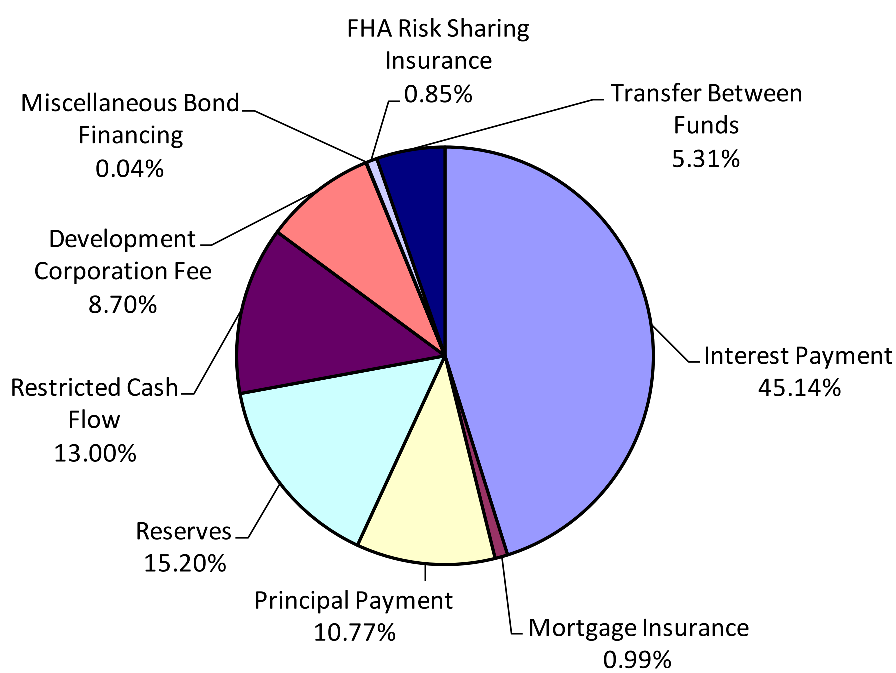
Non-Operating Income



Use of Funds—FY 2019



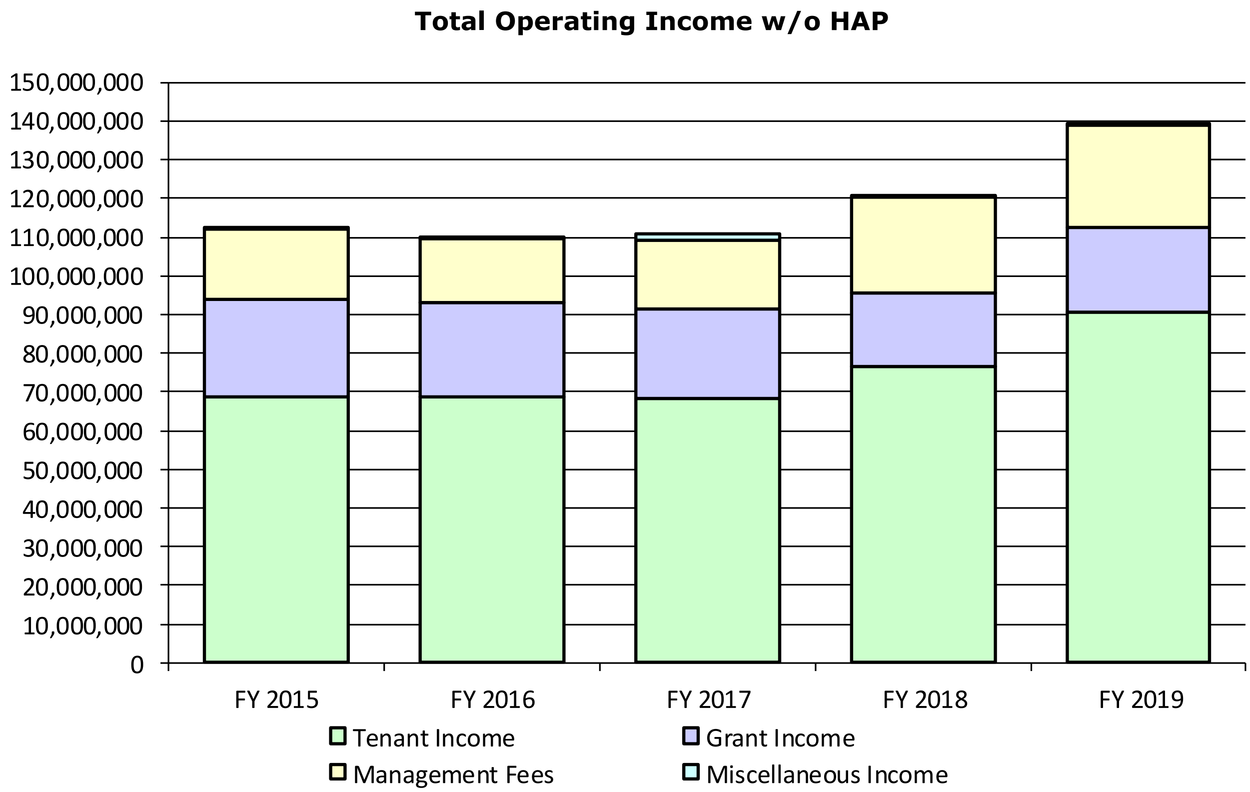
Non-Operating Expense

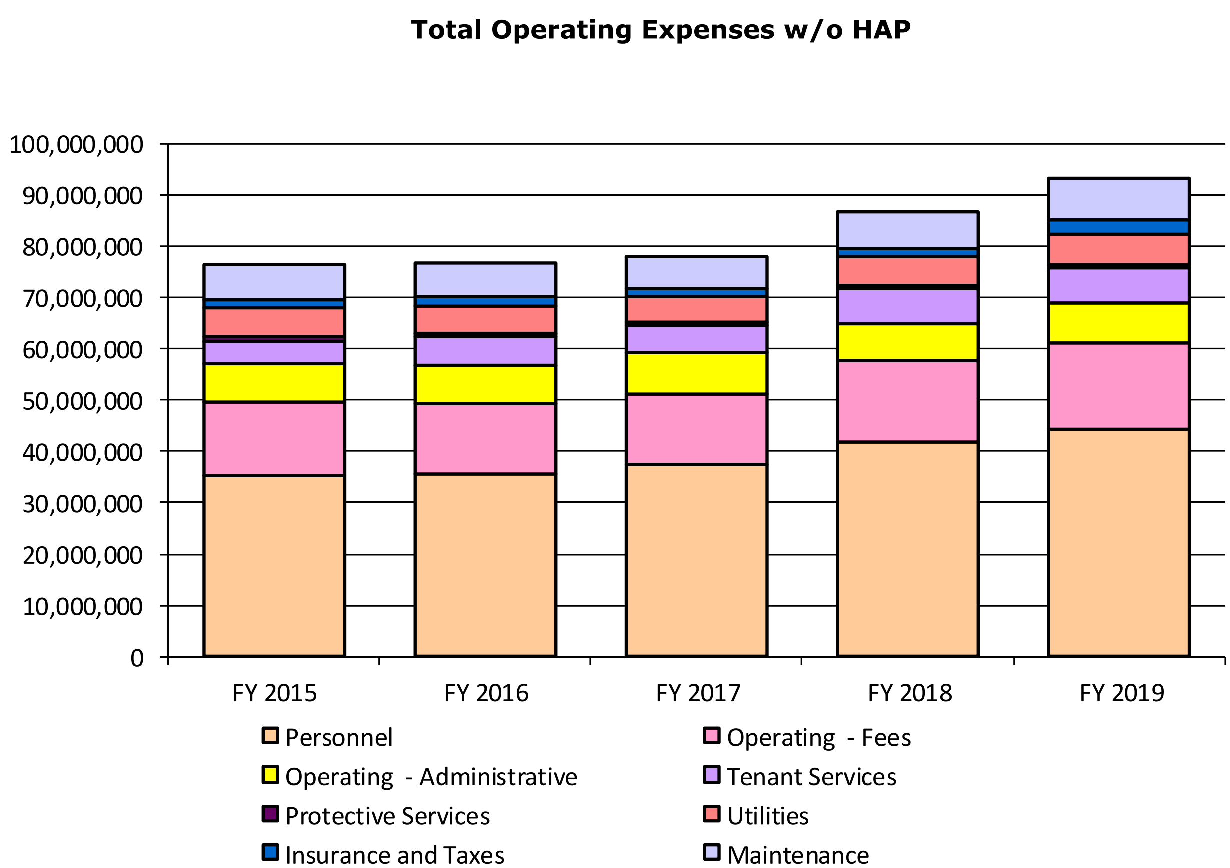


Total Agency—Revenue and Expense Statement

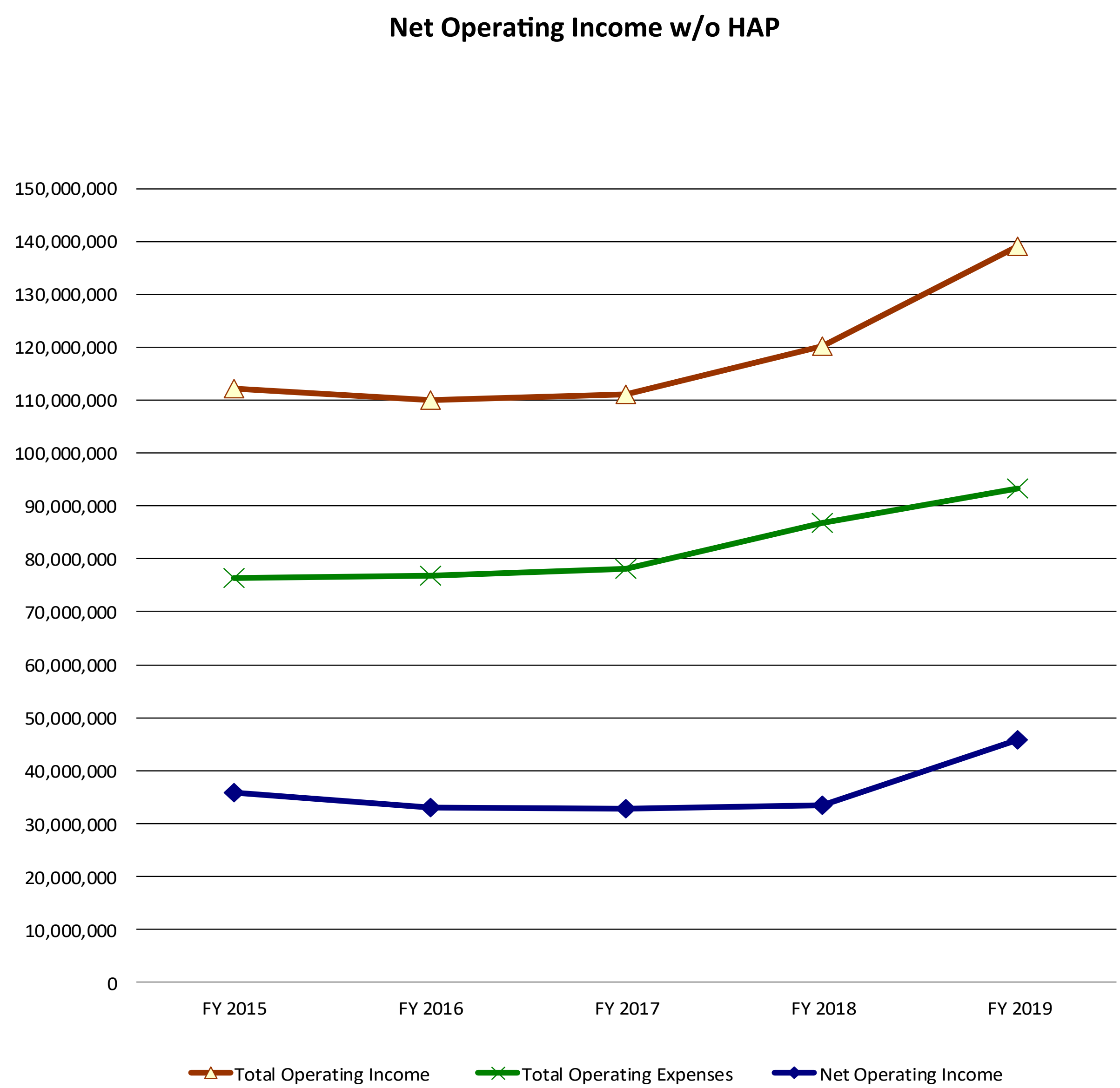
Total Revenue and Expense Statement	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Amended Budget	FY 2019 Adopted Budget
Operating Income					
Tenant Income	$67,678,833	$67,455,171	$67,333,831	$74,992,740	$89,386,010
Non-Dwelling Rental Income	$1,005,425	$1,346,229	$1,150,050	$1,538,570	$1,140,630
Federal Grant	$97,290,034	$95,780,190	$97,705,641	$90,680,860	$103,128,540
State Grant	$194,723	$157,083	$184,480	$174,080	$0
County Grant	$9,306,964	$9,761,734	$9,877,142	$10,764,470	$10,820,850
Management Fees	$17,913,663	$16,672,501	$17,879,325	$24,644,700	$26,485,560
Miscellaneous Income	$272,085	$348,240	$1,642,884	$54,740	$166,480
TOTAL OPERATING INCOME	**$193,661,727**	**$191,521,148**	**$195,773,353**	**$202,850,160**	**$231,128,070**
Operating Expenses					
Personnel Expenses	$35,299,016	$35,610,940	$37,420,400	$41,714,270	$44,267,770
Operating Expenses - Fees	$14,307,255	$13,635,450	$13,787,927	$16,049,680	$16,819,110
Operating Expenses - Administrative	$7,504,008	$7,695,705	$8,000,361	$7,169,840	$7,915,680
Tenant Services Expenses	$4,540,828	$5,444,800	$5,540,710	$6,915,660	$6,816,520
Protective Services Expenses	$717,915	$756,953	$678,418	$609,510	$812,920
Utilities Expenses	$5,830,514	$5,394,293	$4,962,367	$5,567,200	$5,899,780
Insurance and Tax Expenses	$1,585,782	$1,616,298	$1,553,706	$1,719,140	$2,682,320
Maintenance Expenses	$6,656,200	$6,779,554	$6,211,113	$7,021,770	$8,110,030
Housing Assistance Payments (HAP)	$81,437,288	$81,539,944	$84,763,551	$82,544,140	$92,078,280
TOTAL OPERATING EXPENSES	**$157,878,806**	**$158,473,937**	**$162,918,553**	**$169,311,210**	**$185,402,410**
NET OPERATING INCOME	**$35,782,921**	**$33,047,211**	**$32,854,800**	**$33,538,950**	**$45,725,660**
Non-Operating Income					
Investment Interest Income	$27,698,946	$23,536,467	$23,439,972	$26,782,010	$24,268,290
FHA Risk Sharing Insurance	$623,236	$639,692	$609,502	$755,280	$671,570
Transfer Between Funds	$10,727,372	$12,533,892	$7,398,074	$11,713,480	$8,636,510
TOTAL NON-OPERATING INCOME	**$39,049,554**	**$36,710,051**	**$31,447,548**	**$39,250,770**	**$33,576,370**
Non-Operating Expenses					
Interest Payment	$29,690,973	$27,982,289	$28,212,630	$33,382,920	$35,796,720
Mortgage Insurance	$769,092	$764,050	$816,079	$1,234,290	$787,240
Principal Payment	$6,946,832	$6,661,644	$7,111,496	$8,831,850	$8,542,110
Operating and Replacement Reserves	$12,214,511	$12,208,303	$13,365,814	$9,141,410	$12,053,800
Restricted Cash Flow	$11,002,670	$11,865,614	$6,333,253	$9,342,850	$10,311,070
Development Corporation Fees	$6,049,249	$5,211,017	$5,592,375	$7,074,680	$6,898,050
Miscellaneous Bond Financing Expenses	$23,752	$57,343	$511,025	$341,550	$29,430
FHA Risk Sharing Insurance	$563,236	$639,692	$609,502	$755,270	$671,570
Transfer Out Between Funds	$6,818,483	$4,870,590	$4,301,071	$2,684,900	$4,212,040
TOTAL NON-OPERATING EXPENSES	**$74,078,798**	**$70,260,542**	**$66,853,245**	**$72,789,720**	**$79,302,030**
NET NON-OPERATING ADJUSTMENTS	**($35,029,244)**	**($33,550,491)**	**($35,405,697)**	**($33,538,950)**	**($45,725,660)**
NET CASH FLOW	**$753,677**	**($503,280)**	**($2,550,897)**	**$0**	**$0**

Operating Budget—Total Agency



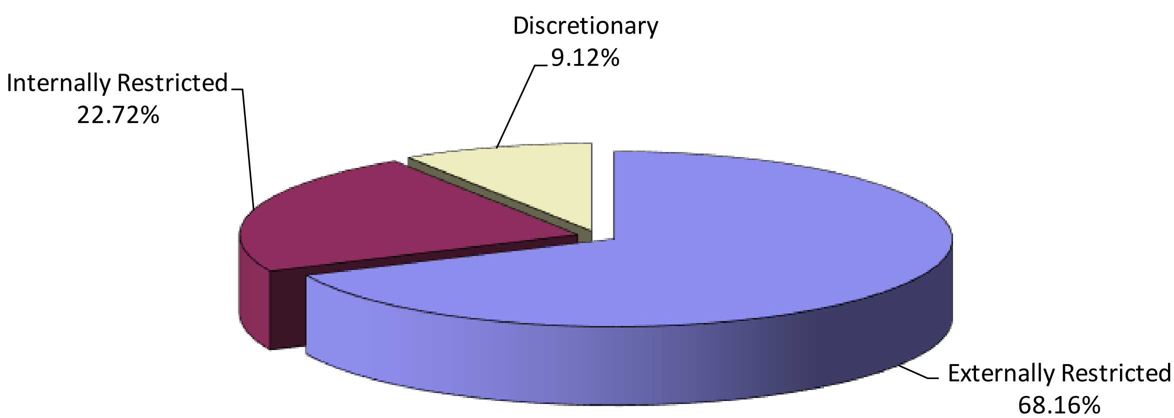


Operating Budget—Total Agency



FY 2019 Revenue Restrictions

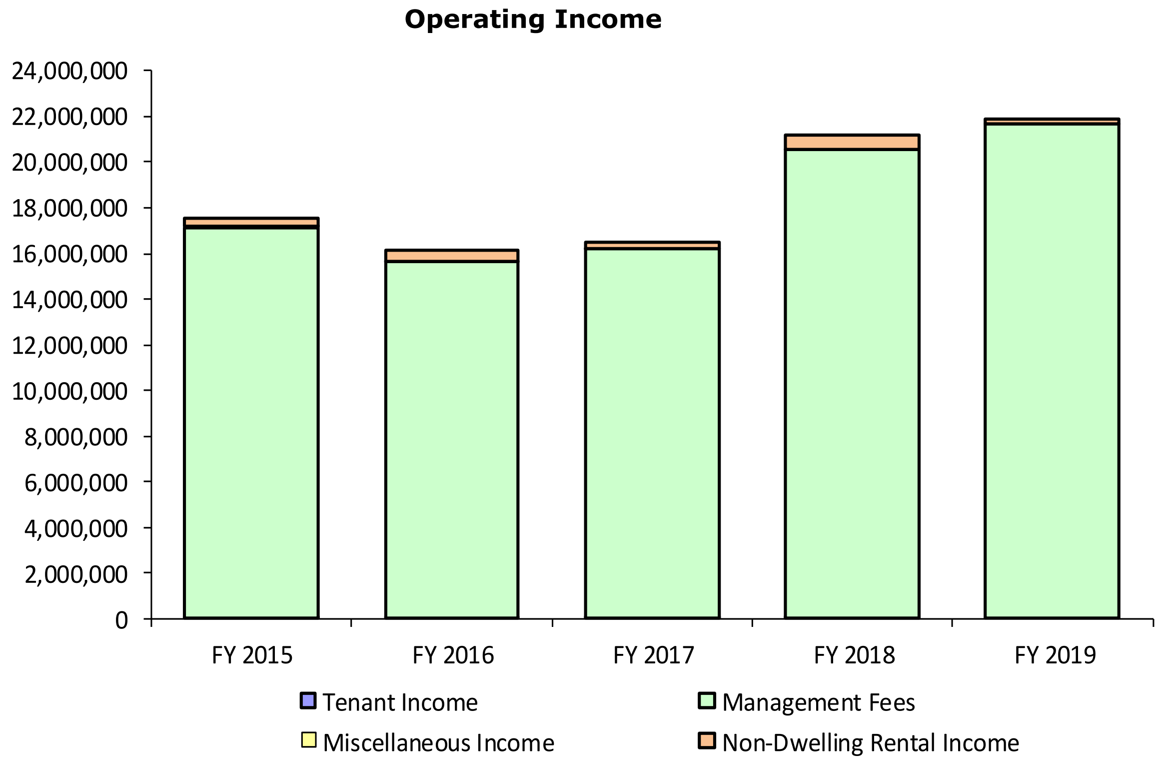
Revenue Restriction (Showing externally placed restrictions)	FY 2019 Adopted Budget Externally Restricted	Internally Restricted	Discretionary	Total
Operating Income				
Property Related Income	$32,767,540	$55,444,960	$2,314,140	$90,526,640
Federal Grant	$103,128,540	$0	$0	$103,128,540
County Grant	$10,820,850	$0	$0	$10,820,850
Management Fees	$0	$4,701,930	$21,783,630	$26,485,560
Miscellaneous Income	$166,480	$0	$0	$166,480
TOTAL OPERATING INCOME	$146,883,410	$60,146,890	$24,097,770	$231,128,070
Non-Operating Income				
Interest Income	$24,237,770	$0	$30,520	$24,268,290
FHA Risk Sharing	$671,570	$0	$0	$671,570
Transfer Between Funds	$8,636,510	$0	$0	$8,636,510
TOTAL NON-OPERATING INCOME	$33,545,850	$0	$30,520	$33,576,370
TOTAL - ALL REVENUE SOURCES	$180,429,260	$60,146,890	$24,128,290	$264,704,440

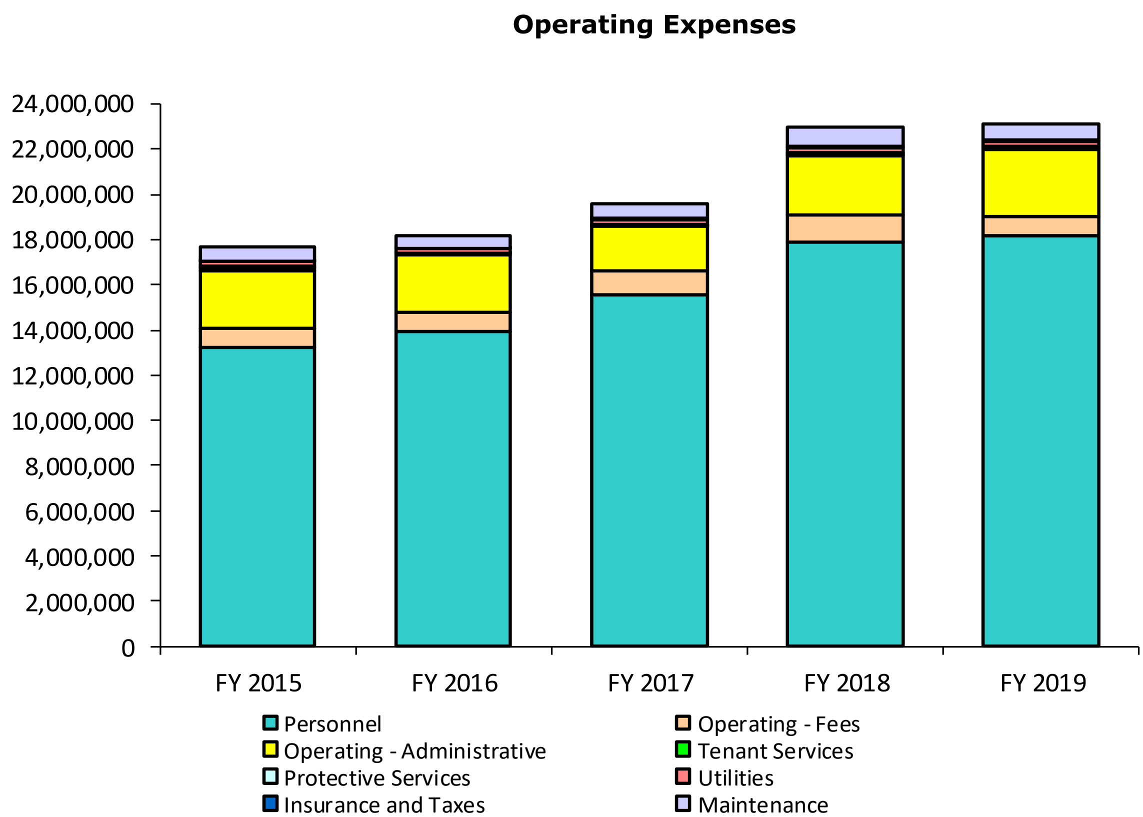


General Fund—Revenue and Expense Statement

General Fund	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Amended Budget	FY 2019 Adopted Budget
Operating Income					
Tenant Income	$4,229	$11,100	$9,788	$9,000	$0
Non-Dwelling Rental Income	$362,227	$456,478	$265,388	$596,880	$206,940
Management Fees	$17,139,439	$15,626,518	$16,198,415	$20,578,520	$21,718,650
Miscellaneous Income	$31,332	$39,153	$11,962	$200	$0
TOTAL OPERATING INCOME	**$17,537,227**	**$16,133,249**	**$16,485,553**	**$21,184,600**	**$21,925,590**
Operating Expenses					
Personnel Expenses	$13,220,162	$13,957,980	$15,581,391	$17,886,340	$18,169,990
Operating Expenses - Fees	$852,389	$818,631	$1,045,839	$1,181,740	$851,860
Operating Expenses - Administrative	$2,575,645	$2,546,673	$1,960,956	$2,634,020	$2,963,740
Tenant Services Expenses	$140,416	$38,535	$27,170	$48,630	$58,130
Protective Services Expenses	$53,760	$61,660	$75,720	$76,490	$80,380
Utilities Expenses	$222,721	$189,493	$178,540	$245,000	$213,460
Insurance and Tax Expenses	$4,450	$1,355	$91,499	$46,420	$43,630
Maintenance Expenses	$613,183	$580,767	$633,921	$887,640	$705,760
TOTAL OPERATING EXPENSES	**$17,682,726**	**$18,195,094**	**$19,595,036**	**$23,006,280**	**$23,086,950**
NET OPERATING INCOME	**($145,499)**	**($2,061,845)**	**($3,109,483)**	**($1,821,680)**	**($1,161,360)**
Non-Operating Income					
Investment Interest Income	$534,642	$529,986	$857,518	$19,000	$30,520
FHA Risk Sharing Insurance	$623,236	$639,692	$609,502	$755,280	$671,570
Transfer Between Funds	$3,603,208	$2,330,721	$1,621,792	$1,646,090	$1,546,820
TOTAL NON-OPERATING INCOME	**$4,761,086**	**$3,500,399**	**$3,088,812**	**$2,420,370**	**$2,248,910**
Non-Operating Expenses					
Interest Payment	$314,535	$565,015	$957,860	$32,220	$34,670
Principal Payment	$176,935	$0	$0	$0	$0
Debt Service, Operating and Replacement Reserves	$1,813,399	$200,000	$200,000	$1,081,240	$1,311,570
FHA Risk Sharing Insurance	$563,236	$639,692	$609,502	$755,270	$671,560
Transfer Out Between Funds	$2,519,950	$1,755,322	$1,794,990	$138,620	$1,383,890
TOTAL NON-OPERATING EXPENSES	**$5,388,055**	**$3,160,029**	**$3,562,352**	**$2,007,350**	**$3,401,690**
NET NON-OPERATING ADJUSTMENTS	**($626,969)**	**$340,370**	**($473,540)**	**$413,020**	**($1,152,780)**
NET CASH FLOW	**($772,468)**	**($1,721,475)**	**($3,583,023)**	**($1,408,660)**	**($2,314,140)**

Operating Income and Operating Expenses—General Fund





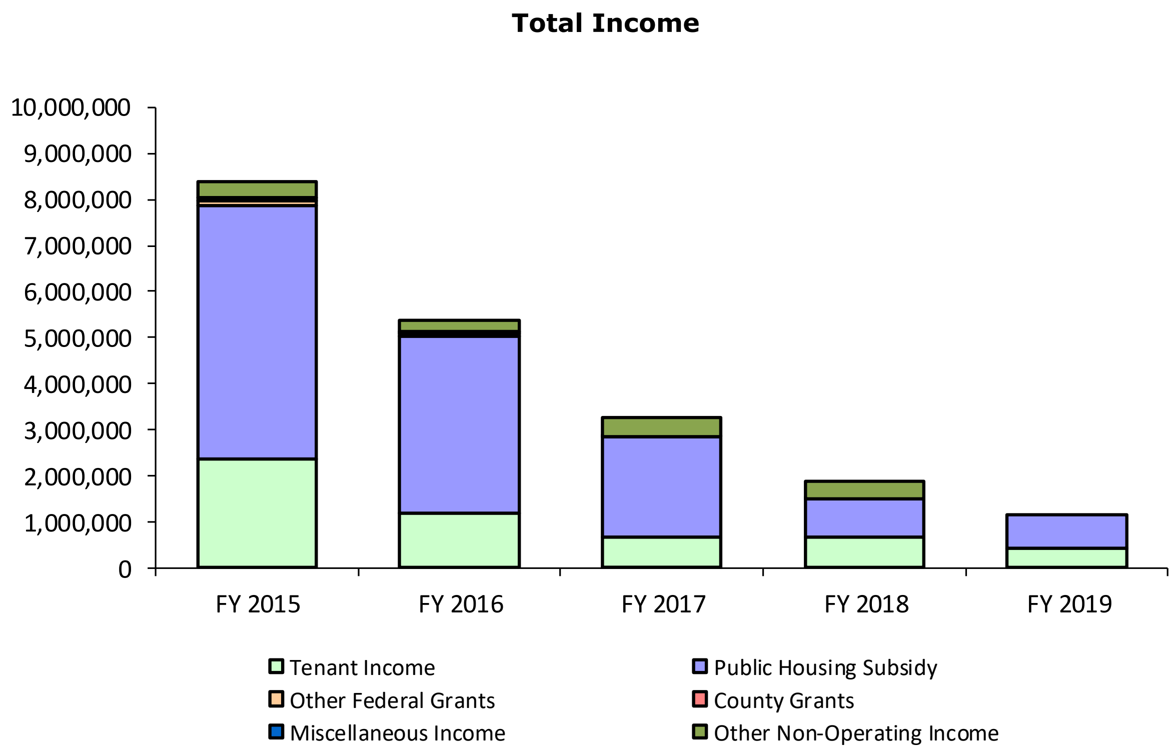
Public Fund (Grants)—Income Summary

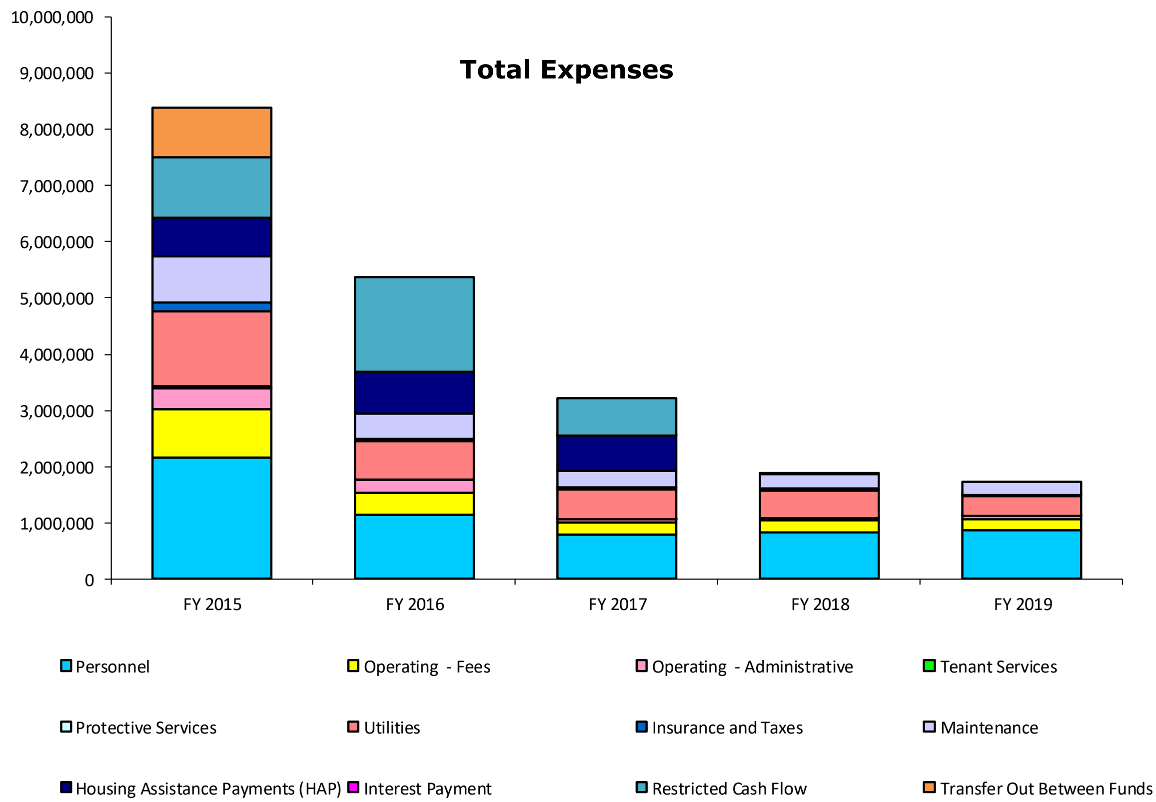
Public Fund Federal, State and County Grants Income Summary	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Amended Budget	FY 2019 Adopted Budget
Federal Funds					
Comp Grant	$724,982	$344,812	$342,204	$0	$0
HOC Family Program	$0	$48,177	$383,682	$695,180	$695,180
Shelter Plus Care	$146,385	$0	$0	$0	$0
Shelter Plus Care - New Neighbors	$59,342	$0	$0	$0	$0
Shelter Plus Care - New Neighbors II	$11,751	$0	$0	$0	$0
McKinney Grants	$3,862,336	$4,278,878	$4,697,276	$4,721,660	$5,077,320
ROSS Grants	$266,693	$596,033	$372,285	$483,000	$358,810
TOTAL - FEDERAL FUNDS	**$5,071,489**	**$5,267,900**	**$5,795,447**	**$5,899,840**	**$6,131,310**
State & County Funds					
County Main Grant	$6,371,005	$6,273,380	$6,513,040	$6,406,150	$6,680,270
County Senior Nutrition	$43,869	$41,389	$45,115	$58,080	$58,080
County Closing Cost Assistance Program	$165,180	$170,626	$168,398	$177,010	$180,420
HOME-Rental Allowance Program	$115,400	$117,147	$178,953	$126,200	$0
Housing Locator	$77,200	$74,989	$83,761	$171,850	$85,000
Maryland Emergency Food Program	$6,000	$6,000	$6,000	$6,000	$6,000
McKinney Grants	$410,616	$410,616	$597,367	$561,560	$608,960
Recordation Tax - Rent Supplemental Program	$1,609,130	$2,167,552	$1,758,888	$2,729,470	$1,938,500
Recordation Tax - Move-up Initiative	$0	$0	$0	$0	$157,590
Recordation Tax - Community Choice Homes Initiative	$0	$0	$0	$0	$640,310
Recordation Tax - Youth Bridge Initiative	$0	$0	$0	$0	$78,810
Service Coordinators - (Old SHRAP)	$309,000	$308,073	$325,325	$327,600	$199,200
Turnkey	$23,250	$23,250	$23,250	$23,500	$23,710
State RAP and RAP to Work	$194,723	$157,083	$182,930	$174,080	$0
Service Linked Emergency Assistance	$73,919	$73,919	$74,648	$74,650	$0
State Housing Counselor	$36,916	$29,314	$36,916	$36,920	$0
State Emergency Assistance	$71,480	$71,480	$71,480	$71,480	$170,000
Tobytown Macro Grant	$0	$0	$0	$0	$0
TOTAL - STATE & COUNTY FUNDS	**$9,507,688**	**$9,924,818**	**$10,066,071**	**$10,944,550**	**$10,826,850**
TOTAL PUBLIC FUNDS	**$14,579,177**	**$15,192,718**	**$15,861,518**	**$16,844,390**	**$16,958,160**

Public Housing Rental—Revenue and Expense Statement

Public Housing Rental	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Amended Budget	FY 2019 Adopted Budget
Operating Income					
Tenant Income	$2,350,094	$1,187,182	$672,104	661,370	409,670
Public Housing Operating Subsidy	$5,533,144	$3,852,902	$2,171,522	$827,560	$749,980
Other Federal Grants	$85,397	$56,150	($31,065)	$0	$0
Miscellaneous Income	$78,005	$36,828	$1,514	$2,390	$0
TOTAL OPERATING INCOME	**$8,046,640**	**$5,133,062**	**$2,814,075**	**$1,491,320**	**$1,159,650**
Operating Expenses					
Personnel Expenses	$2,162,525	$1,142,006	$782,723	$832,550	$626,830
Operating Expenses - Fees	$864,301	$389,195	$229,168	$209,940	$130,510
Operating Expenses - Administrative	$371,494	$229,674	$45,639	$33,770	$26,050
Tenant Services Expenses	$1,294	$174	$3,299	$0	$0
Protective Services Expenses	$28,872	$12,559	$11,566	$5,410	$10,000
Utilities Expenses	$1,335,770	$683,028	$527,935	$496,910	$304,020
Insurance and Tax Expenses	$165,749	$41,028	$32,884	$29,470	$18,450
Maintenance Expenses	$810,630	$436,693	$284,261	$265,850	$164,950
Housing Assistance Payments (HAP)	$688,290	$760,094	$635,208	$0	$161,250
TOTAL OPERATING EXPENSES	**$6,428,925**	**$3,694,451**	**$2,552,683**	**$1,873,900**	**$1,442,060**
NET OPERATING INCOME	**$1,617,715**	**$1,438,611**	**$261,392**	**($382,580)**	**($282,410)**
Non-Operating Income					
Investment Interest Income	$748	$3,056	$5,520	($580)	$370
Transfer Between Funds	$340,463	$234,262	$407,410	$384,330	$282,040
TOTAL NON-OPERATING INCOME	**$341,211**	**$237,318**	**$412,930**	**$383,750**	**$282,410**
Non-Operating Expenses					
Interest Payment	$0	$0	$591	$0	$0
Restricted Cash Flow	$1,086,335	$1,675,929	$673,731	$1,170	$0
Transfer Out Between Funds	$872,591	$0	$0	$0	$0
TOTAL NON-OPERATING EXPENSES	**$1,958,926**	**$1,675,929**	**$674,322**	**$1,170**	**$0**
NET NON-OPERATING ADJUSTMENTS	**($1,617,715)**	**($1,438,611)**	**($261,392)**	**$382,580**	**$282,410**
NET CASH FLOW	**$0**	**$0**	**$0**	**$0**	**$0**

Total Income and Total Expenses—Public Housing Rental





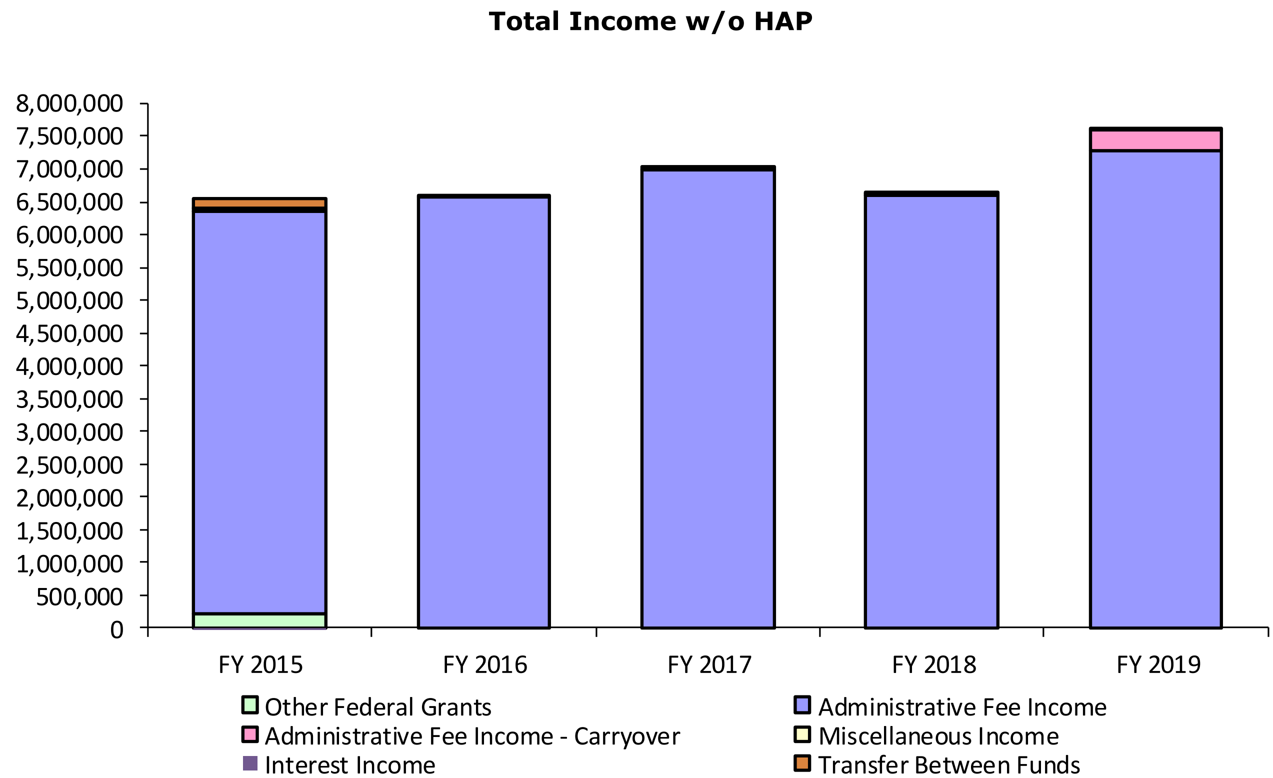
Public Housing Homeownership—Revenue and Expense Statement

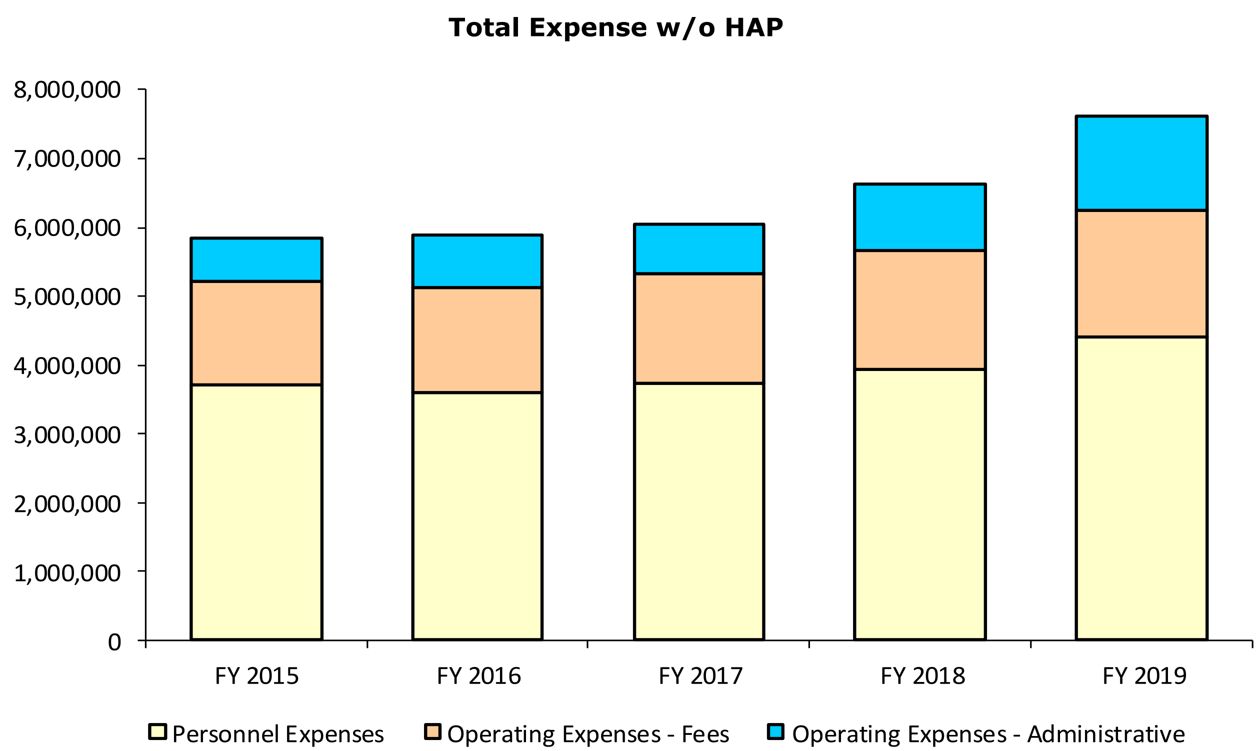
Public Housing Homeownership	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Amended Budget	FY 2019 Adopted Budget
Operating Income					
Tenant Income	$11,161	$17,272	$23,844	$7,370	$0
Federal Grant	$33,777	$74,433	$69,832	$58,550	$0
Miscellaneous Income	$178	$150	$11,725	$120	$0
TOTAL OPERATING INCOME	**$45,116**	**$91,855**	**$105,401**	**$66,040**	**$0**
Operating Expenses					
Personnel Expenses	$11,830	$13,120	$16,399	$17,020	$0
Operating Expenses - Fees	$7,372	$6,844	$9,444	$10,270	$0
Operating Expenses - Administrative	$2,751	$7,566	$16,289	$450	$0
Protective Services Expenses	$8	$3	$640	$0	$0
Utilities Expenses	$18,220	$12,099	$14,038	$20,320	$0
Insurance and Tax Expenses	$2,500	$2,431	$4,917	$830	$0
Maintenance Expenses	$26,126	$26,925	$68,417	$35,130	$0
TOTAL OPERATING EXPENSES	**$68,807**	**$68,988**	**$130,144**	**$84,020**	**$0**
NET OPERATING INCOME	**($23,691)**	**$22,867**	**($24,743)**	**($17,980)**	**$0**
Non-Operating Income					
Investment Interest Income	$90	$254	$682	$0	$0
Transfer Between Funds - Rental License	$266	$287	$287	$290	$0
TOTAL NON-OPERATING INCOME	**$356**	**$541**	**$969**	**$290**	**$0**
NET NON-OPERATING ADJUSTMENTS	**$356**	**$541**	**$969**	**$290**	**$0**
NET CASH FLOW	**($23,335)**	**$23,408**	**($23,774)**	**($17,690)**	**$0**

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

Housing Choice Voucher Program	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Amended Budget	FY 2019 Adopted Budget
Operating Income					
Housing Assistance Payments (HAP)	$80,788,048	$80,440,883	$83,429,766	$78,071,350	$89,766,200
Public Housing Subsidy	$0	$237,330	$0	$0	$0
Other Federal Grants	$204,992	$0	$0	$0	$0
Administrative Fee Income	$6,145,767	$6,583,770	$6,984,926	$6,599,110	$7,272,720
Miscellaneous Income	$50,134	$24,942	$62,771	$16,000	$14,000
TOTAL OPERATING INCOME	**$87,188,941**	**$87,286,925**	**$90,477,463**	**$84,686,460**	**$97,052,920**
Operating Expenses					
Personnel Expenses	$3,723,284	$3,604,374	$3,731,941	$3,939,670	$4,403,200
Operating Expenses - Fees	$1,491,809	$1,511,539	$1,599,392	$1,727,280	$1,845,960
Operating Expenses - Administrative	$628,845	$771,596	$707,174	$968,220	$1,369,190
Tenant Services Expenses	$1,730	$300	$175	$0	$0
Housing Assistance Payments (HAP)	$80,128,515	$80,637,291	$83,971,753	$82,544,140	$91,917,020
TOTAL OPERATING EXPENSES	**$85,974,183**	**$86,525,100**	**$90,010,435**	**$89,179,310**	**$99,535,370**
NET OPERATING INCOME	**$1,214,758**	**$761,825**	**$467,028**	**($4,492,850)**	**($2,482,450)**
Non-Operating Income					
Investment Interest Income	($2,541)	$0	$0	$0	$0
Draw from Housing Assistance Payments (HAP) Reserve	$0	$0	$541,987	$4,472,790	$2,150,820
Administrative Fee Income - Carryover	$0	$0	$0	$33,750	$331,630
Transfer Between Funds	$151,553	$0	$0	$0	$0
TOTAL NON-OPERATING INCOME	**$149,012**	**$0**	**$541,987**	**$4,506,540**	**$2,482,450**
Non-Operating Expenses					
Debt Service, Operating and Replacement Reserves	$659,533	$40,922	$0	$0	$0
TOTAL NON-OPERATING EXPENSES	**$659,533**	**$40,922**	**$0**	**$0**	**$0**
NET NON-OPERATING ADJUSTMENTS	**($510,521)**	**($40,922)**	**$541,987**	**$4,506,540**	**$2,482,450**
NET CASH FLOW	**$704,237**	**$720,903**	**$1,009,015**	**$13,690**	**$0**

Total Income and Total Expenses—HCV Program

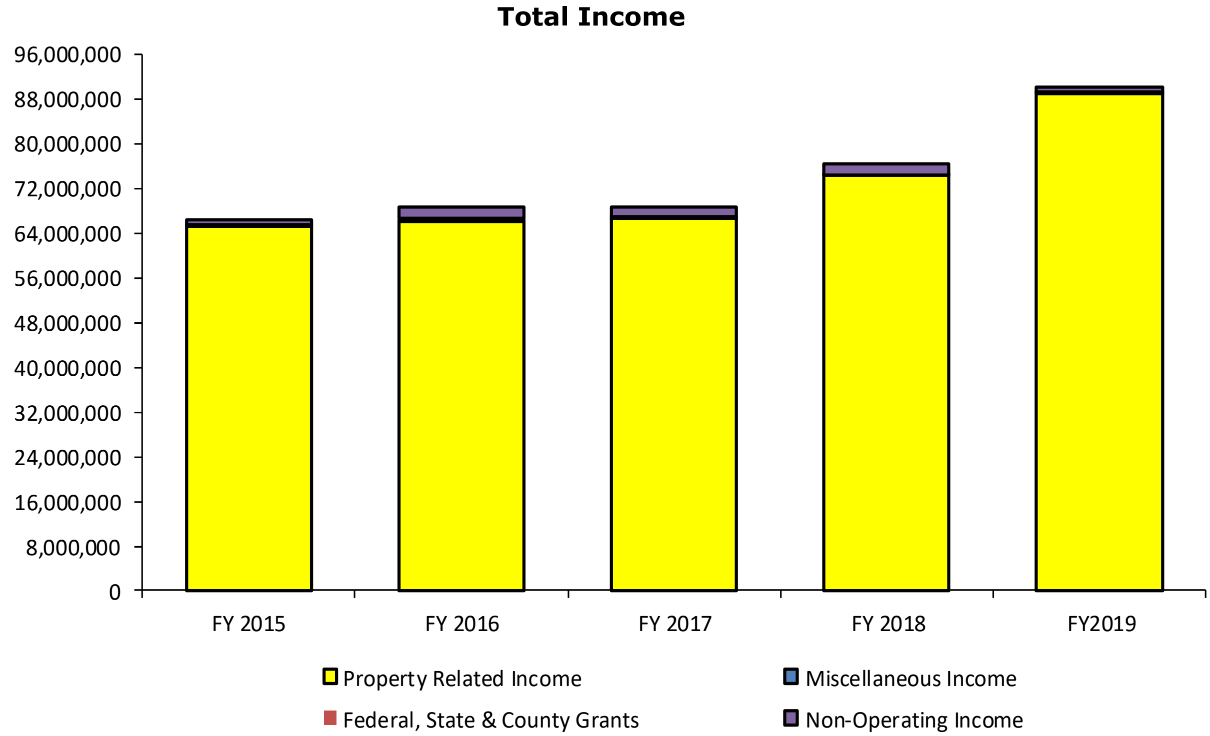


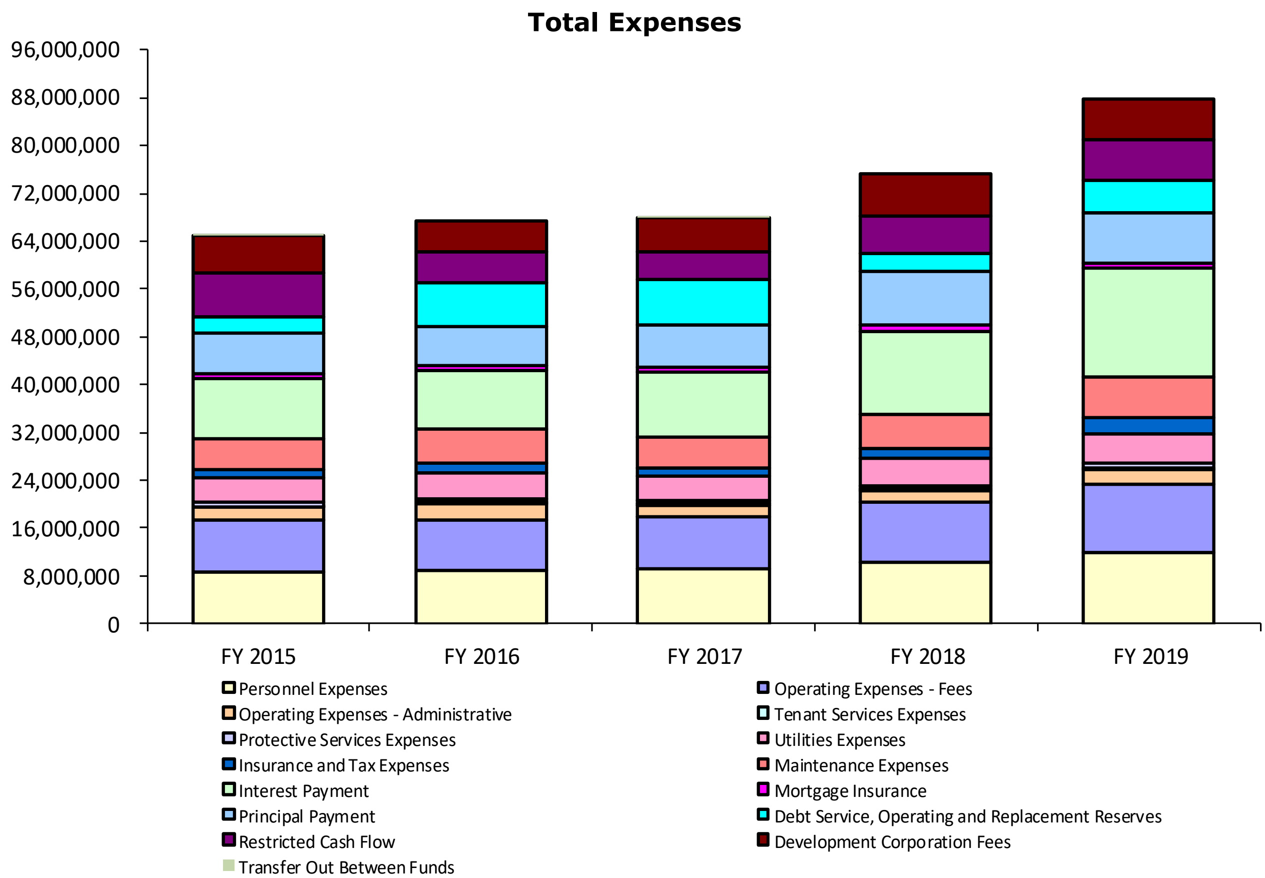


Opportunity Housing Fund and Development Corporations—Revenue and Expense Statement

Opportunity Housing and Development Corporations	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Amended Budget	FY 2019 Adopted Budget
Operating Income					
Tenant Income	$64,746,934	$65,490,313	$65,887,974	$73,563,380	$88,142,680
Non-Dwelling Rental Income	$543,057	$840,820	$851,663	$925,680	$919,680
Federal Grant	$43,885	$40,115	$42,000	$42,000	$42,000
Miscellaneous Income	$169,236	$282,790	$150,635	$56,630	$224,010
TOTAL OPERATING INCOME	**$65,503,112**	**$66,654,038**	**$66,932,272**	**$74,587,690**	**$89,328,370**
Operating Expenses					
Personnel Expenses	$8,567,332	$8,862,000	$9,159,704	$10,204,180	$11,990,720
Operating Expenses - Fees	$8,822,347	$8,534,969	$8,641,510	$10,155,130	$11,410,450
Operating Expenses - Administrative	$2,029,069	$2,626,190	$1,987,097	$1,769,970	$2,251,000
Tenant Services Expenses	$197,168	$227,235	$221,362	$409,520	$441,320
Protective Services Expenses	$635,275	$682,731	$590,492	$527,600	$722,550
Utilities Expenses	$4,010,992	$4,276,712	$3,985,243	$4,542,830	$5,055,290
Insurance and Tax Expenses	$1,395,922	$1,550,574	$1,403,356	$1,614,450	$2,577,060
Maintenance Expenses	$5,207,092	$5,735,169	$5,224,514	$5,868,280	$6,939,320
TOTAL OPERATING EXPENSES	**$30,865,197**	**$32,495,580**	**$31,213,278**	**$35,091,960**	**$41,387,710**
NET OPERATING INCOME	**$34,637,915**	**$34,158,458**	**$35,718,994**	**$39,495,730**	**$47,940,660**
Non-Operating Income					
Investment Interest Income	($37,801)	($26,083)	($29,041)	($16,250)	($33,260)
Transfer Between Funds	$922,524	$2,031,902	$1,955,389	$2,048,160	$859,120
TOTAL NON-OPERATING INCOME	**$884,723**	**$2,005,819**	**$1,926,348**	**$2,031,910**	**$825,860**
Non-Operating Expenses					
Interest Payment	$10,196,936	$9,833,351	$10,885,294	$13,727,150	$18,051,280
Mortgage Insurance	$761,968	$758,358	$812,080	$1,228,540	$784,540
Principal Payment	$6,769,897	$6,661,644	$7,111,496	$8,831,850	$8,542,110
Debt Service Reserve	$0	$4,749,003	$5,016,143	$45,600	$2,066,580
Operating and Replacement Reserves	$2,649,285	$2,680,500	$2,535,061	$3,073,610	$3,323,030
Restricted Cash Flow	$7,567,714	$5,052,206	$4,648,074	$6,137,550	$6,786,790
Development Corporation Fees	$6,049,249	$5,211,017	$5,592,375	$7,074,680	$6,898,050
Transfer Out Between Funds	$1,443	$2	$12,693	$0	$0
TOTAL NON-OPERATING EXPENSES	**$33,996,492**	**$34,946,081**	**$36,613,216**	**$40,118,980**	**$46,452,380**
NET NON-OPERATING ADJUSTMENTS	**($33,111,769)**	**($32,940,262)**	**($34,686,868)**	**($38,087,070)**	**($45,626,520)**
NET CASH FLOW	**$1,526,146**	**$1,218,196**	**$1,032,126**	**$1,408,660**	**$2,314,140**

Total Income and Total Expenses— Opportunity and Development Corporations Portfolio





HOC Owned/Managed Properties—FY 2018 Net Cash Flow Statement

Opportunity Housing and Development Corps FY 2019 Operating Budget	Total Operating Income	Total Operating Expenses	Net Operating Income	Annual Debt Services	Annual Escrow for RfR	Asset & Loan Management Fees	FY 2019 Projected Cash Flow	Restricted Cash Flow	Development Corporations Fees	FY 2019 Net Cash Flow to HOC
Alexander House	$3,349,460	$1,234,260	**$2,115,200**	$0	$64,050	$206,900	**$1,844,250**	$1,344,250	$500,000	**$0**
Avondale Apartments	$368,550	$142,920	**$225,630**	$92,250	$10,000	$0	**$123,380**	$123,380	$0	**$0**
Barclay, The	$1,344,450	$417,290	**$927,160**	$676,980	$22,800	$85,930	**$141,450**	$0	$141,450	**$0**
Brooke Park	$86,520	$63,250	**$23,270**	$0	$10,800	$20,350	**($7,880)**	$0	$0	**($7,880)**
Brookside Glen (The Glen)	$1,638,040	$597,590	**$1,040,450**	$498,800	$113,730	$101,750	**$326,170**	$326,170	$0	**$0**
CDBG Units	$46,350	$26,150	**$20,200**	$920	$19,280	$0	**$0**	$0	$0	**$0**
Chelsea Towers	$336,610	$210,280	**$126,330**	$56,730	$8,400	$0	**$61,200**	$0	$0	**$61,200**
Cider Mill	$12,947,590	$4,711,680	**$8,235,910**	$6,537,550	$302,400	$208,440	**$1,187,520**	$1,187,520	$0	**$0**
Dale Drive	$104,590	$75,290	**$29,300**	$0	$12,660	$11,310	**$5,330**	$5,330	$0	**$0**
Diamond Square	$1,367,630	$794,800	**$572,830**	$117,900	$127,630	$23,820	**$303,480**	$303,480	$0	**$0**
Fairfax Court	$291,300	$109,520	**$181,780**	$9,130	$38,880	$20,350	**$113,420**	$0	$0	**$113,420**
Glenmont Crossing	$2,091,960	$899,650	**$1,192,310**	$828,910	$58,200	$109,670	**$195,530**	$164,250	$31,280	**$0**
Glenmont Westerly	$1,744,070	$763,490	**$980,580**	$538,810	$61,200	$115,320	**$265,250**	$128,290	$136,960	**$0**
Holiday Park	$329,320	$137,560	**$191,760**	$101,570	$15,590	$0	**$74,600**	$0	$0	**$74,600**
Holly Hall	$669,510	$445,230	**$224,280**	$0	$0	$0	**$224,280**	$224,280	$0	**$0**
Jubilee Falling Creek	$36,700	$23,050	**$13,650**	$0	$2,000	$0	**$11,650**	$0	$0	**$11,650**
Jubilee Hermitage	$41,700	$30,390	**$11,310**	$0	$2,000	$0	**$9,310**	$0	$0	**$9,310**
Jubilee Horizon Court	$33,600	$27,930	**$5,670**	$0	$2,000	$0	**$3,670**	$0	$0	**$3,670**
Jubilee Woodedge	$31,270	$23,630	**$7,640**	$0	$2,000	$0	**$5,640**	$0	$0	**$5,640**
Ken Gar	$228,180	$112,110	**$116,070**	$103,350	$9,280	$0	**$3,440**	$3,440	$0	**$0**
King Farm Village Center	$18,080	$8,830	**$9,250**	$0	$1,200	$0	**$8,050**	$8,050	$0	**$0**
Magruder's Discovery	$2,366,200	$675,640	**$1,690,560**	$927,100	$39,820	$0	**$723,640**	$0	$723,640	**$0**
Manchester Manor	$762,040	$475,620	**$286,420**	$168,810	$21,410	$59,920	**$36,280**	$36,280	$0	**$0**
McHome	$450,970	$305,230	**$145,740**	$0	$16,400	$0	**$129,340**	$0	$0	**$129,340**
McKendree	$175,080	$124,950	**$50,130**	$0	$11,200	$0	**$38,930**	$0	$0	**$38,930**
MetroPointe	$2,694,820	$800,610	**$1,894,210**	$1,948,950	$30,000	$8,680	**($93,420)**	$0	$0	**($93,420)**
Metropolitan, The	$7,000,180	$2,040,600	**$4,959,580**	$2,305,550	$194,400	$63,630	**$2,396,000**	$1,462,900	$933,100	**$0**
MHLP VII	$487,150	$339,230	**$147,920**	$29,270	$14,000	$0	**$104,650**	$0	$0	**$104,650**
MHLP VIII	$688,020	$472,540	**$215,480**	$0	$20,000	$0	**$195,480**	$0	$0	**$195,480**

HOC Owned/Managed Properties—FY 2018 Net Cash Flow Statement (cont.)

Opportunity Housing and Development Corps FY 2019 Operating Budget	Total Operating Income	Total Operating Expenses	Net Operating Income	Annual Debt Services	Annual Escrow for RfR	Asset & Loan Management Fees	FY 2019 Projected Cash Flow	Restricted Cash Flow	Development Corporations Fees	FY 2019 Net Cash Flow to HOC
(CONT.)										
Montgomery Arms	$1,957,820	$737,180	**$1,220,640**	$687,180	$46,200	$145,850	**$341,410**	$0	$341,410	**$0**
MPDU 2007 - Phase II	$78,970	$61,550	**$17,420**	$0	$1,800	$0	**$15,620**	$0	$0	**$15,620**
MPDU I (64)	$875,340	$485,300	**$390,040**	$227,630	$27,540	$0	**$134,870**	$0	$0	**$134,870**
TPM - MPDU II (59)	$869,810	$430,460	**$439,350**	$0	$17,700	$0	**$421,650**	$0	$421,650	**$0**
NCI Units	$181,340	$113,730	**$67,610**	$0	$67,610	$0	**$0**	$0	$0	**$0**
NSP Units	$95,020	$54,450	**$40,570**	$0	$40,570	$0	**$0**	$0	$0	**$0**
Oaks @ Four Corners, The	$1,392,990	$784,350	**$608,640**	$284,210	$172,000	$135,670	**$16,760**	$16,760	$0	**$0**
Olney Sandy Spring Road	$20,600	$10,460	**$10,140**	$0	$300	$0	**$9,840**	$9,840	$0	**$0**
Paddington Square	$2,910,640	$1,223,220	**$1,687,420**	$1,132,950	$57,750	$104,470	**$392,250**	$0	$392,250	**$0**
Paint Branch	$187,700	$106,060	**$81,640**	$0	$8,400	$0	**$73,240**	$73,240	$0	**$0**
Parkway Woods	$309,610	$155,460	**$154,150**	$116,880	$11,720	$0	**$25,550**	$25,550	$0	**$0**
Pooks Hill High-Rise	$2,920,430	$914,690	**$2,005,740**	$1,026,670	$161,530	$259,190	**$558,350**	$0	$558,350	**$0**
Pooks Hill Mid-Rise	$946,910	$290,140	**$656,770**	$298,110	$55,860	$56,530	**$246,270**	$0	$0	**$246,270**
Sandy Spring Meadow	$690,790	$302,830	**$387,960**	$261,310	$26,870	$0	**$99,780**	$99,780	$0	**$0**
Scattered Sites One	$2,584,530	$1,481,430	**$1,103,100**	$564,080	$114,000	$0	**$425,020**	$0	$425,020	**$0**
Scattered Sites Two	$777,600	$436,860	**$340,740**	$268,860	$74,400	$0	**($2,520)**	$0	$0	**($2,520)**
Seneca Ridge	$1,141,030	$604,820	**$536,210**	$517,100	$34,680	$0	**($15,570)**	($15,570)	$0	**$0**
Shady Grove	$2,175,240	$1,077,370	**$1,097,870**	$555,970	$186,000	$162,810	**$193,090**	$193,090	$0	**$0**
Sligo MPDU III	$269,510	$215,050	**$54,460**	$0	$9,190	$0	**$45,270**	$0	$45,270	**$0**
Southbridge	$447,980	$243,470	**$204,510**	$125,220	$10,800	$44,090	**$24,400**	$24,400	$0	**$0**
State Rental Combined	$1,714,010	$1,601,000	**$113,010**	$0	$87,100	$0	**$25,910**	$25,910	$0	**$0**
Strathmore Court	$3,547,980	$1,204,840	**$2,343,140**	$1,186,170	$161,320	$170,720	**$824,930**	$521,120	$0	**$303,810**
TPP LLC - Pomander	$442,840	$185,970	**$256,870**	$108,130	$7,200	$0	**$141,540**	$0	$0	**$141,540**
TPP LLC - Timberlawn	$2,199,780	$688,820	**$1,510,960**	$869,840	$44,940	$120,970	**$475,210**	$0	$0	**$475,210**
Towne Centre Place	$558,740	$265,600	**$293,140**	$175,200	$23,940	$0	**$94,000**	$94,000	$0	**$0**
VPC One	$6,801,450	$3,028,020	**$3,773,430**	$1,491,210	$946,610	$0	**$1,335,610**	$0	$1,335,610	**$0**
VPC Two	$4,576,620	$1,956,370	**$2,620,250**	$1,044,000	$664,190	$0	**$912,060**	$0	$912,060	**$0**
Washington Square	$835,570	$333,280	**$502,290**	$336,120	$24,430	$0	**$141,740**	$141,740	$0	**$0**
Westwood Towers	$4,680,830	$2,115,200	**$2,565,630**	$901,680	$905,630	$239,690	**$518,630**	$259,310	$0	**$259,320**
The Willows	$2,083,750	$1,493,880	**$589,870**	$256,830	$168,000	$220,470	**($55,430)**	$0	$0	**($55,430)**
TOTAL	**$90,005,370**	**$38,691,180**	**$51,314,190**	**$27,377,930**	**$5,389,610**	**$2,696,530**	**$15,850,120**	**$6,786,790**	**$6,898,050**	**$2,165,280**
From reserves planned to fund specific property operating deficits										
MetroPointe							**93,420**			**$93,420**
The Willows							**$55,440**			**$55,440**
Net Cash Flow - All Properties							**$15,998,980**			**$2,314,140**

Bond Program—Revenue and Expense Statement

Bond Fund	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Amended Budget	FY 2019 Adopted Budget
Operating Expenses					
Trustee Fees	$61,420	$58,700	$56,419	$57,200	$59,600
Lender Services Fees	$1,555,072	$1,508,700	$1,544,769	$1,766,970	$1,119,680
Loan Losses	$0	$0	$0	$76,600	$0
TOTAL OPERATING EXPENSES	**$1,616,492**	**$1,567,400**	**$1,601,188**	**$1,900,770**	**$1,179,280**
NET OPERATING INCOME	**($1,616,492)**	**($1,567,400)**	**($1,601,188)**	**($1,900,770)**	**($1,179,280)**
Non-Operating Income					
Investment Interest Income	$27,203,459	$23,025,640	$22,582,858	$26,779,840	$24,270,650
Miscellaneous Income	$4,345	$0	$0	$13,310	$1,450
TOTAL NON-OPERATING INCOME	**$27,207,804**	**$23,025,640**	**$22,582,858**	**$26,793,150**	**$24,272,100**
Non-Operating Expenses					
Interest Payment	$19,179,501	$17,583,922	$16,368,884	$19,623,550	$17,710,770
Operating and Replacement Reserves	$6,388,059	$3,816,975	$4,605,595	$4,927,280	$5,352,620
Miscellaneous Bond Financing Expenses	$23,752	$57,343	$7,191	$341,550	$29,430
TOTAL NON-OPERATING EXPENSES	**$25,591,312**	**$21,458,240**	**$20,981,670**	**$24,892,380**	**$23,092,820**
NET NON-OPERATING ADJUSTMENTS	**$1,616,492**	**$1,567,400**	**$1,601,188**	**$1,900,770**	**$1,179,280**
NET CASH FLOW	**$0**	**$0**	**$0**	**$0**	**$0**

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Section 2:
OPERATING
Tab

Division Summaries

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 Resources
- Maintenance
- Mortgage Finance
- Property Management
- Real Estate Development
- Resident Services

Agency Revenues by Division

Division Summary	FY 2019 Adopted Budget		
	Revenues	**Expenses**	**Net**
Divisions			
Executive Division	$100,000	$13,751,530	**($13,651,530)**
Finance Division	$30,520	$5,098,990	**($5,068,470)**
Housing Resources Division	$100,626,970	$99,357,130	**$1,269,840**
Maintenance Division	$0	$544,080	**($544,080)**
Mortgage Finance Division	$6,982,490	$4,173,060	**$2,809,430**
Property Management Division	$98,871,500	$92,706,320	**$6,165,180**
Real Estate Development Division	$3,174,510	$2,130,500	**$1,044,010**
Resident Services Division	$14,867,630	$14,690,070	**$177,560**
SUB-TOTAL	**$224,653,620**	**$232,451,680**	**($7,798,060)**
Other Non-Divisions			
Agency Wide Revenue and Expenses	$15,778,720	$7,980,660	**$7,798,060**
Bond Funds	$24,272,100	$24,272,100	**$0**
TOTAL - ALL FUNDS	**$264,704,440**	**$264,704,440**	**$0**

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);
- Aiming for Careers;
- Employment Initiative Program (EIP);
- Family Resource Centers (FRC);
- Programming for Youth, Families and Seniors;
- Service Coordination Family Properties;
- Service Coordination Senior Properties;
- Disability Services;
- Customer Service Centers; and
- Housing Programs for Homeless / Disabled Single Adults and Families.

Individual performance measurement results are contained within respective division summaries (pages 2-3 through 2-50).

Executive Division

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 housing and employment, 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:

The Executive Division provides the critical link in implementing HOC's mission.

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, Compliance, Information Technology (IT) systems, Legislative and Public Affairs, and Housing Information Activities (formerly Housing Resource Services).

Program Objectives

Maintain a Quality Workforce

- Develop recruitment strategies to assist divisions in efficient, effective and timely recruitment of qualified candidates.
- Administer and monitor pre-employment drug testing program for new employees and alcohol and drug testing program for new and existing staff.
- Develop and implement a comprehensive Employee Training Program to enhance employee development and increase skills.
- Provide continuing education and technical assistance for HOC employees and supervisors on policies and practices governing the Commission and its work activities.
- Administer the Labor Agreement with Municipal and County Government Employees Organization (MCGEO).
- HOC and MCGEO will hold reopener negotiations for the fourth year of the agreement no later than March 2019 and conclude no later than May 1, 2019.

- Provide supervisory training on the Collective Bargaining Agreement to supervisors and managers.
- Coordinate the work program of the Labor Management Relations Committee to address and resolve substantive labor issues.

Ensure Compliance with EEO, and ADA Regulations

- Provide ongoing training to employees in the following areas:
  - EEO and Workforce Diversity,
  - Workplace Harassment,
  - ADA and 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.

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 multiyear 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

- Verify the existence of assets and recommend proper safeguards for their protection;
- Evaluate the adequacy of the system of internal controls;
- Recommend improvements in controls;
- Assess compliance with policies and procedures and sound business practices;
- Assess compliance with state and federal laws and contractual obligations;
- Review operations/programs to ascertain whether results are consistent with established objectives and whether the operations/programs are being carried out as planned;
- Investigate reported occurrences of fraud, embezzlement, theft, waste and abuse, etc.

Compliance Department

The Compliance Department is the unit within HOC which ensures that the Agency adheres to applicable laws, regulations, and rules connected to HOC's daily activities. This includes federal, state, county, and other locally specific laws and regulations. The Compliance Department provides support to every other division and department within HOC by supplying regulatory expertise and conducting quality control and other monitoring of departmental activities. In these ways, the Compliance Department assists with risk mitigation helping to preserve the integrity and reputation of HOC as well as its legal ability to function on a daily basis.

More specifically, the duty, objective, and responsibility of the Compliance Department are:

- DUTY - The Compliance Department has a duty to work with management and staff to identify and manage regulatory risk. The Compliance Departments is also tasked with federal program submission and fair housing compliance across the Agency.
- OBJECTIVE - The overarching objective of the Compliance Department is to ensure that HOC consistently, efficiently, and correctly reviews the tasks, which employees complete, to appropriately measure and manage the risks that the Agency faces .

- RESPONSIBILITY - The general responsibility of the Compliance Department is to provide an in-house service that effectively supports the Agency's various divisions and departments in their duty to comply with relevant laws, regulations, and internal procedures.

To accomplish the aforementioned mission, the Compliance Department performs the following five actions :

- IDENTIFICATION **-** Identifies the risks HOC faces,
- PREVENTION - Designs and implements controls to protect HOC from the identified risks,
- MONITORING and DETECTION - Monitors and reports on the effectiveness of the controls in managing HOC's exposure to the identified risks,
- RESOLUTION - Works with the relevant Divisions and Departments within HOC to resolve compliance issues as they occur and,
- ADVISORY - Advise HOC regarding regulations and controls.

Information Technology

- Provide and maintain a high quality, open architecture, service-based 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.
- Expand technology-related services throughout all aspects of operations to provide enhancements and operational improvements.
- Provide for and expand HOC Connects laptop program.

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

Human Resources

- Developed and implemented improved communication to staff. Created new HR Today e-mail templates in partnership with Legislative & Public Affairs to brand e-mail communications so that staff have instant recognition of topics. E-mails are sent from a variety of mail boxes including HR Support, Training, and Wellness and range in topics from Benefits, Training and Development, Information, Rules and Regulations, and Wellness.
- Assisted various subject matter experts in the creation and development of In-Service Training classes offered continuously that can be used for both new/current HOC staff as well as externally managed HUB staff. Training class topics include:
  - Fair Housing and ADA,
  - Employee Tour,
  - Strategies and Techniques for Managing Employee Conduct and Productivity,
  - Disability Awareness: Sensitivity Training,
  - Yardi Basic,
  - On-Base,
  - Performance Plan and Review for Supervisors, and
  - Emergency Preparedness.
- Increased Training and Development programs to effectively utilize training in the development of HOC staff. Baseline is 24 hours of employee development activities (training, conferences, online webinars, etc.) for all HOC staff annually. Utilized ADP timecards to track employee participation in these activities.

Compliance Department

The Compliance Department performs quality control (QC) reviews on many HOC activities. These QC reviews are conducted on a monthly basis. As Compliance receives these QC results, the Department initiates a dialogue with the relevant HOC Divisions and Departments to assist them with resolution and future prevention.

The following tables display a high-level breakdown of the QC results from Fiscal Years 2017 and 2018 as well as projections for Fiscal Year 2019.

QC Statistics for FY 2017 (July 1, 2016 – June 30, 2017)				
Division	# of Total Reviews	# of Failed Reviews	# of Passed Reviews	% Passed
Housing Resources Division	271	176	95	35%
Property Management (EMC HUBs)	21	20	1	5%
Property Management (HOC Housing Specialists)	0	0	0	0%
Resident Services	22	11	11	50%
Inspections/Client Services	98	77	21	21%
Mortgage Finance	0	0	0	0%
Total	**412**	**284**	**128**	**31%**

Performance Measurement Results (cont.)

QC Statistics for FY 2018 (July 1, 2017 – June 30, 2018)				
Division	**# of Total Reviews**	**# of Failed Reviews**	**# of Passed Re-views**	**% Passed**
Housing Resources Division	371	209	162	44%
Property Management (EMC HUBs)	9	8	1	11%
Property Management (HOC Housing Specialists)	246	207	39	16%
Resident Services	56	22	34	61%
Inspections/Client Services	24	18	6	25%
Mortgage Finance	28	0	28	100%
Total	**734**	**464**	**270**	**37%**

QC Projections for FY 2019 (July 1, 2018 – June 30, 2019)				
Division	**# of Total Reviews**	**# of Failed Reviews**	**# of Passed Reviews**	**% Passed**
Housing Resources Division	321	192.5	128.5	40%
Property Management (EMC HUBs)	15	14	1	7%
Property Management (HOC Housing Specialists)	123	103.5	19.5	16%
Resident Services	39	16.5	22.5	58%
Inspections/Client Services	61	47.5	13.5	22%
Mortgage Finance	14	0	14	100%
Total	**573**	**374**	**199**	**35%**

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 for 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 customers 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 social media platforms including Facebook, Twitter and YouTube.

In June 2013, HOC began a transition to a Housing Unit Based (HUB) service model. Ten HUB offices were opened throughout the County allowing the agency to bring services closer to where clients live. Additionally, by deploying maintenance staff and inventory at more locations, the agency has increased its efficiency by reducing travel time and fuel costs across the entire fleet of vehicles.

Previous performance metrics for Housing Information Activities no longer capture the breadth of business objectives currently held by the Office of Legislative and Public Affairs. To ensure that resources are aligned with the strategic objectives of HOC as delineated within the Strategic Plan,

Performance Measurement Results (cont.)

Legislative and Public Affairs has adopted a broader set of business objectives.

Legislative and Public Affairs is responsible for strengthening HOC's relationship with government at the local, state and Federal level to support the agency's legislative and policy priorities around affordable housing and supportive services; increasing public awareness of HOC's work and its accomplishments; as well as strengthening community relationships by ensuring accurate and timely access to information by all internal and external customers.

The Office of Legislative and Public Affairs has established the following performance measurements:

- Establish a self-service portal and implement online application submission functionality to help improve customer access to information about HOC's housing resources and application processes across HOC programs. Self-service portal functions will include the recertification, maintenance work order, and appointment processes.
- Update information on the web and increase external availability of frequently asked questions to improve access and accuracy of information so external customers are better equipped to resolve information needs independently.
- Examine and advocate for changes or new laws where specific barriers exist to HOC achieving its mission and to increasing access to affordable housing. This includes increased participation in national, state and local policy discussions and organizations to engage and partner on shared issues of interest.
- Make training programs available to those on the wait list by recording sessions and providing them online, as well as providing online self-service functionality for customers to sign up for programming in order to expand access to training and social service supports .

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	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019 estimate**
Number of Closed Help Desk Tickets	6,323	6,949	7,656	7,822	7,524 est.

Budget Overview—Executive Division

The total Amended FY 2019 Budget for the Executive Division is $13.75 million, which represents an increase of 24.3% over the FY 2018 budget. Personnel costs comprise 56.9% of the FY 2019 budget. Operating expenses account for 26.2% in FY 2019. Maintenance and other miscellaneous expenses account for 5.7% in FY 2019. The remaining 11.2% in FY 2019 accounts for Reserve for Replacements (RfR) contribution expenses for the Information Technology (IT) and Facilities Capital Budget and funding of the FY 2019 capital budgets for IT and Facilities.

Revenue and Expense Statement

Executive Division	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Amended Budget	FY 2019 Adopted Budget
Operating Income					
Tenant Income	($1,513)	($140)	$36	$0	$0
Miscellaneous Income	$4,075	$26,463	$2,205	$0	$0
TOTAL OPERATING INCOME	**$2,562**	**$26,323**	**$2,241**	**$0**	**$0**
Operating Expenses					
Personnel Expenses	$5,931,106	$6,149,288	$6,437,849	$7,341,180	$7,819,170
Operating Expenses - Fees	$29,030	$36,055	$32,471	$57,670	$542,950
Operating Expenses - Administrative	$2,214,868	$2,191,040	$1,592,885	$2,616,230	$3,055,790
Tenant Services Expenses	$137,611	$27,961	$25,783	$14,310	$7,240
Protective Services Expenses	$43,817	$49,222	$54,312	$47,500	$59,920
Utilities Expenses	$152,806	$119,459	$121,638	$156,690	$143,580
Insurance and Tax Expenses	$2,610	$5,540	$12,452	$23,740	$16,890
Maintenance Expenses	$392,982	$349,221	$458,539	$517,810	$557,990
TOTAL OPERATING EXPENSES	**$8,904,830**	**$8,927,786**	**$8,735,929**	**$10,775,130**	**$12,203,530**
NET OPERATING INCOME	**($8,902,268)**	**($8,901,463)**	**($8,733,688)**	**($10,775,130)**	**($12,203,530)**
Non-Operating Income					
Investment Interest Income	$0	$0	$181	$0	$0
Transfer Between Funds	$986,085	$631,553	$367,615	$121,820	$100,000
TOTAL NON-OPERATING INCOME	**$986,085**	**$631,553**	**$367,796**	**$121,820**	**$100,000**
Non-Operating Expenses					
Interest Payment	$3,978	$0	$0	$0	$0
Principal Payment	$176,935	$0	$0	$0	$0
Operating and Replacement Reserves	$200,000	$200,000	$200,000	$200,000	$200,000
Restricted Cash Flow	$0	$0	$0	$0	$0
Transfer Out Between Funds	$2,361,137	$1,465,649	$1,420,267	$88,070	$1,348,000
TOTAL NON-OPERATING EXPENSES	**$2,742,050**	**$1,665,649**	**$1,620,267**	**$288,070**	**$1,548,000**
NET NON-OPERATING ADJUSTMENTS	**($1,755,965)**	**($1,034,096)**	**($1,252,471)**	**($166,250)**	**($1,448,000)**
NET CASH FLOW	**($10,658,233)**	**($9,935,559)**	**($9,986,159)**	**($10,941,380)**	**($13,651,530)**

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Finance Division

Adopted Budget
June 6, 2018

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, accounts payable, 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.
- Provide vendors payment options via Automated Clearing House (ACH) payments or a Procurement Card Program.
- Provide on-line rent payment for tenants living in HOC owned and managed dwelling units.

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	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**	**FY 2019**
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	8	9	10	NA	NA

Budget					
Measurement	**FY 2014 Actual**	**FY 2015 Actual**	**FY 2016 Actual**	**FY 2017 Actual**	**FY 2018 Goal**
Number of consecutive years receiving GFOA Best Budget Award	10	11	11	11*	12

** The Agency did not submit a budget book for FY 2017.*

Procurement					
Measurement	**FY 2015 Actual**	**FY 2016 Actual**	**FY 2017 Actual**	**FY 2018 Actual**	**FY 2018 Goal**
Number of Contracts Awarded	236	299	318	445	450
Percent of Dollars issued to Minority/ Female/Disabled-Outreach (MFD) firms	19%	18%	18%	13%	20%
Number of Purchase Orders (POs) issued	11,975	13,110	13,007	11,479	12,000

Budget Overview—Finance Division

The total Adopted FY 2019 Budget for the Finance Division is $5.10 million. Personnel costs comprise 95.3% of total operating expenses in FY 2019. Fees, Administrative expenses, and Interest Payments account for the balance of the budget.

Revenue and Expense Statement

Finance Division	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Amended Budget	FY 2019 Adopted Budget
Operating Income					
Miscellaneous Income	$165	$112	$1,994	$200	$0
TOTAL OPERATING INCOME	**$165**	**$112**	**$1,994**	**$200**	**$0**
Operating Expenses					
Personnel Expenses	$4,091,663	$4,347,631	$4,302,927	$4,753,180	$4,857,610
Operating Expenses - Fees	$90,999	$97,197	$147,822	$104,340	$113,940
Operating Expenses - Administrative	$168,842	$260,857	$157,781	$74,730	$114,290
Tenant Services Expenses	$362	$660	$316	$320	$300
Insurance and Tax Expense	$0	$0	$0	$0	$0
Maintenance Expenses	$56,574	$62,105	$453	$0	$0
TOTAL OPERATING EXPENSES	**$4,408,440**	**$4,768,450**	**$4,609,299**	**$4,932,570**	**$5,086,140**
NET OPERATING INCOME	**($4,408,275)**	**($4,768,338)**	**($4,607,305)**	**($4,932,370)**	**($5,086,140)**
Non-Operating Income					
Investment Interest Income	$30,159	$25,989	$23,684	$18,990	$30,520
TOTAL NON-OPERATING INCOME	**$30,159**	**$25,989**	**$23,684**	**$18,990**	**$30,520**
Non-Operating Expenses					
Interest Payment	$10,304	$5,676	$12,843	$10,400	$12,850
TOTAL NON-OPERATING EXPENSES	**$10,304**	**$5,676**	**$12,843**	**$10,400**	**$12,850**
NET NON-OPERATING ADJUSTMENTS	**$19,855**	**$20,313**	**$10,841**	**$8,590**	**$17,670**
NET CASH FLOW	**($4,388,420)**	**($4,748,025)**	**($4,596,464)**	**($4,923,780)**	**($5,068,470)**

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Housing Resources Division

Mission Statement

The mission of the Housing Resources Division is to provide quality customer service while determining housing assistance subsidy eligibility to clients participating in the Housing Choice Voucher (HCV) program. 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.

Special points of interest:

The Housing Resources Division provides quality customer service through fair and accurate delivery of affordable subsidies.

Description

The HCV Program is the Federal Government's principal rental assistance program available to extremely 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. These operations include:

- Maintaining program waiting lists of interested families,
- Determining family eligibility,
- Calculating subsidy levels (family's rent share and the Housing Assistance Payment),
- Reviewing the reasonableness of rents, and
- Re-evaluating the family's income on an annual basis.

Program Objectives

- To improve customer service and program operations through better utilization of staff and technology.
- To maintain a High Performer ranking in Section Eight Management Assessment Program (SEMAP).
- 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 CY 2018 and CY 2019 HUD funding allocations and effectively serve as many program-eligible families as possible.
- To provide expert information to members of the Agency's staff on federally regulated programs.
- To ensure the Agency's compliance, for both the programs and clients, with the U.S. Department of Housing and Urban Development (HUD) regulations.

Performance Measurement Results

SEMAP

The Section Eight Management Assessment Program (SEMAP) was designed by HUD as a tool to measure the performance of a Public Housing Authority's (PHA) administration of the Housing Choice Voucher (HCV) program and the Family Self-Sufficiency (FSS) component of the HCV 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 PHA advances fair housing opportunities.

SEMAP is composed of 14 performance indicators and one bonus indicator. Each performance indicator represents a critical component for operating a well-run HCV Program. PHAs with a SEMAP score of at least 90% shall be rated as High Performers. PHAs with a SEMAP score of 60% to 89% shall be rated as Standard Performers. PHAs with a SEMAP score of less than 60% shall be rated Troubled Performers.

HOC has maintained a high performer rating since 2011. HOC anticipates maintaining its high performer designation in 2018 and will again be certifying for a preliminary score of 138 points out of a possible 145 for an overall rating of 97 percent.

Performance Measurement Results (cont.)

SEMAP Score								
SEMAP Component	**Actual Score FY 2015**	**Max. Score FY 2015**	**Actual Score FY 2016**	**Max. Score FY 2016**	**Actual Score FY 2017**	**Max. Score FY 2017**	**Prelim. Score FY 2018**	**Max. Score FY 2018**
Selection from the Waiting List	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Reasonable Rent	15.0	20.0	15.0	20.0	20.0	20.0	15.0	20.0
Adjusted Income Determination	15.0	20.0	15.0	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	10.0	10.0
Expanding Housing Opportunities	0.0	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	20.0	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	5.0	10.0	5.0	10.0	8.0	10.0
Program Subtotal	**130.0**	**145.0**	**130.0**	**145.0**	**135.0**	**145.0**	**133.0**	**145.0**
De-concentration Bonus *	5.0	–	5.0	–	5.0	–	5.0	–
Overall	**135.0**	**145.0**	**135.0**	**145.0**	**140.0**	**145.0**	**138.0**	**145.0**

* The De-concentration bonus does not change the Maximum Score Scale.

Performance Measurement Results (cont.)

Family Self-Sufficiency (FSS) Program

FSS is a federally mandated voluntary program to assist 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 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 significant success. HOC's FSS Program began in 1993 and has been repeatedly cited by HUD as one of the best in the country. FSS lacks sufficient funding from HUD and relies on the County to fill the gap. They assist with funds to provide transportation, tuition, books, and child care for FSS participants.

Family Self-Sufficiency Program (FSS)							
Measurement	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018**
Mandated Participants	441	441	441	441	441	441	441
Enrolled Participants	371	370	343	373	343	247	229
Applicants in Enrollment Process	73	74	42	68	10	70	89
Graduates	33	30	54	43	39	37	17
% Graduating	9%	8%	9%	11%	13%	15%	7%
% Employed Participants upon Graduation	100%	100%	100%	100%	100%	100%	100%
% Employed Participants before Graduation	62%	60%	65%	65%	68%	77%	76%
% of Graduates who completed College, Tech, GED or other training	84%	80%	85%	85%	87%	92%	100%
Participants who withdrew, terminated, or unsuccessful in FSS	14	15	92	35	74	32	24
Number of Homebuyers	2	2	1	3	2	2	2
% of Participants with Escrow Accounts	50%	50%	50%	50%	52%	70%	55%
Other Family Members currently Enrolled	30	25	19	17	17	2	0

About 74% of HOC's FSS Program participants are single mothers with an average age of 38. About 20% either received welfare cash assistance or were unemployed when they began FSS, and 5% lacked a

Performance Measurement Results (cont.)

GED/high school diploma. Most of the participants enter FSS with work experience but are often fearful and struggle with health challenges that impact their ability to remain employed. They are eager to obtain the support and resources to overcome obstacles that impede their ability to achieve success. Due to rising childcare costs, many of the participants are challenged by child care issues that impact their ability to seek employment and pursue skills training

Budget Overview—Housing Resources Division

Total projected operating expenses in the FY 2019 Adopted Budget for the Housing Resources Division not related to HAP is $7.33 million; 65.1% of which represent personnel costs. Other expenses account for the remainder of the budget.

Revenue and Expense Statement

Housing Resources Division	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Amended Budget	FY 2019 Adopted Budget
Operating Income					
Tenant Income	$0	$0	$9	$0	$0
Non-Dwelling Rental Income	$0	$0	$0	$0	$0
Federal Grant	$87,088,736	$87,749,771	$90,771,852	$85,153,460	$97,397,730
County Grant	$927,667	$935,821	$783,993	$881,320	$732,790
Miscellaneous Income	100,204	49,409	77,886	16,000	14,000
TOTAL OPERATING INCOME	**$88,116,607**	**$88,735,001**	**$91,633,740**	**$86,050,780**	**$98,144,520**
Operating Expenses					
Personnel Expenses	$3,841,628	$4,531,119	$4,235,040	$4,746,250	$4,774,660
Operating Expenses - Fees	$2,037,464	$2,073,611	$2,178,866	$2,317,430	$1,950,620
Operating Expenses - Administrative	$317,394	$467,779	$357,540	$376,990	$579,220
Tenant Services Expenses	$1,730	$9,071	$30,356	$28,000	$30,150
Protective Services	$3,642	$2,821	$2,459	$4,000	$0
Utilities Expenses	$15,988	$13,769	$10,207	$16,310	$0
Maintenance Expenses	$30,464	$21,985	$27,159	$39,200	$0
Housing Assistance Payments (HAP)	$80,128,515	$80,637,291	$83,971,753	$82,544,140	$91,917,020
TOTAL OPERATING EXPENSES	**$86,376,825**	**$87,757,446**	**$90,813,380**	**$90,072,320**	**$99,251,670**
NET OPERATING INCOME	**$1,739,782**	**$977,555**	**$820,360**	**($4,021,540)**	**($1,107,150)**
Non-Operating Income					
Investment Interest Income	($2,541)	$0	$0	$0	$0
Transfer Between Funds	$251,553	$100,000	$641,987	$4,587,440	$2,482,450
TOTAL NON-OPERATING INCOME	**$249,012**	**$100,000**	**$641,987**	**$4,587,440**	**$2,482,450**
Non-Operating Expenses					
Debt Service, Operating and Replacement Reserves	$1,363,769	$761,825	$1,009,015	$13,690	$0
Transfer Out Between Funds	$234,588	$117,892	$100,000	$114,650	$100,000
TOTAL NON-OPERATING EXPENSES	**$1,598,357**	**$879,717**	**$1,109,015**	**$128,340**	**$105,460**
NET NON-OPERATING ADJUSTMENTS	**($1,349,345)**	**($779,717)**	**($467,028)**	**$4,459,100**	**$2,376,990**
NET CASH FLOW	**$390,437**	**$197,838**	**$353,332**	**$437,560**	**$1,269,840**

Maintenance Division

Mission Statement

The mission of the Maintenance Division is to maintain a diverse portfolio of affordable and market rate residential communities, while striving to create a positive living environment by providing responsive customer service that gives our residents a sense of home, completing work orders on time, and maintaining our properties to meet or exceed community standards.

Special points of interest:

The Maintenance Division ensures that the condition and appearance of the properties meet HOC standards.

Description

The Maintenance Division was established as a separate division, distinct from Property Management in the beginning of 2016 under the direction of a Chief Maintenance Officer, a Maintenance Manager and four Maintenance Supervisors. Maintenance Division maintains ten regional HUBs consolidated in four areas of service covering 507 square miles of Montgomery County and containing 3381 units. The Maintenance Division will supervise and coordinate all HUB maintenance operations, fire and safety programs, equipment inventory control, vendor management and ensure that the condition and appearance of the properties meet Commissioner Standards. The Maintenance Division will be responsible for timely unit turnover, as well as on call services provided after hours.

The Maintenance Supervisors works closely with the Real Estate Development Team (RED) team to evaluate the physical condition and needs of their portfolios and determine how to best service the assets.

The Division:

- Provides technical support to the Property Management team in every aspect of maintenance operations
- Provides outstanding customer service to our clients
- 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
- Responds to emergency maintenance needs and ensures that all emergency work completed within 24 hours
- Ensure timely work order completion
- Ensure that high quality unit turnover completed, and delivered on time for Property Management lease inventory.
- Coordinate direct and monitor vendors
- Division Director will serve as a Contract Administrator for all

Maintenance related projects and working with Procurement Department Requests for Proposals (RFPs) and Invitations for Bid (IFBs), generate new service contracts and approve purchase requisitions.

- Develop and implement successful Preventive Maintenance program to ensure that all properties are maintained in optimal condition.
- In coordination with the Property Management Division keeps the grounds and common areas clean and well appointed.

Program Objectives

The Maintenance Division is actively reinvigorating its efforts to deliver an outstanding technical and customer service to our clients. The new structure is designed to serve our clients and communities in a more conscientious and timely manner. The Division is also focused on operating in a transparent and financially accountable manner. Following is a list of measureable outcomes the division is currently seeking to achieve:

- Complete all emergency work order within 24 hours.
- Complete all routine **non renovation** work orders within seven days.
- Complete annual Preventive Maintenance Inspections.
- Reduce reliance on Outside Contractors.
- Complete and secure Division Tool inventory and key control systems.

Maintenance activities included but not limited to:

- Apartment turnover.
- Apartment rehab.
- Emergency and regular Work orders.
- Property appearance.
- Semiannual for multifamily and year round for scattered sites preventive maintenance inspections.
- Follow up and completing all necessary repairs for Federal, State and local HOA and HQS inspections.

Performance Measurement Results

2019 performance metrics are:

- Address all Emergency work orders within 24 hours. 99%
- Complete all regular work orders within 5 days (exclude construction, and inspection work orders). 95%
- Increase number of work orders completed in House vs. Contractors by 20%
- Complete Preventive Maintenance Inspections twice a year for Multifamily Buildings 100%. Scattered Sites will be on rolling schedule throughout the year 70%
- Complete regular unit turnover within 7 days (exclude renovations and major upgrades or repairs). 90%

Budget Overview—Maintenance

The total Adopted FY 2019 budget for the Maintenance Division Administration is $0.54 million. Personnel costs comprise 87.1% of the budget in FY 2019. Operating expenses and other miscellaneous expenses account for 12.9% of the budget in FY 2019.

Revenue and Expense Statement

Maintenance Division Administration	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Amended Budget	FY 2019 Adopted Budget
Operating Income					
TOTAL OPERATING INCOME	**$0**	**$0**	**$0**	**$0**	**$0**
Operating Expenses					
Personnel Expenses	$0	$210,051	$433,003	$464,150	$473,880
Operating Expenses - Fees	$0	$0	$0	$19,220	$4,410
Operating Expenses - Administrative	$0	$3,707	$27,683	$13,900	$63,700
Tenant Services Expenses	$0	$0	($76)	$0	$0
Insurance and Tax Expenses	$0	$0	$0	$8,000	$2,090
TOTAL OPERATING EXPENSES	**$0**	**$213,758**	**$460,610**	**$505,270**	**$544,080**
NET OPERATING INCOME	**$0**	**($213,758)**	**($460,610)**	**($505,270)**	**($544,080)**
Non-Operating Income					
TOTAL NON-OPERATING INCOME	**$0**	**$0**	**$0**	**$0**	**$0**
Non-Operating Expenses					
TOTAL NON-OPERATING EXPENSES	**$0**	**$0**	**$0**	**$0**	**$0**
NET NON-OPERATING ADJUSTMENTS	**$0**	**$0**	**$0**	**$0**	**$0**
NET CASH FLOW	**$0**	**($213,758)**	**($460,610)**	**($505,270)**	**($544,080)**

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Mortgage Finance Division

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.

Description

The Mortgage Finance Division is the housing finance arm of the Housing Opportunities Commission, as well as the HFA 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 its 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 FHA insurance programs utilized to enhance the Multifamily bond financing program include HUD Section 542(c) or Risk Share, 221(d)(4) and 223(f). 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.

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.

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 for-profit and non-profit developers. The Multifamily Underwriting section also administers the FHA Risk Sharing Program, a HFA/FHA insurance program. This section also administers the allocation and utilization of bond cap for housing that is allocated annually to Montgomery County and allows HOC to issue private activity bonds for multifamily developments that are owned by private entities and single family issuances.

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 tax-exempt or taxable bond, FFB, GNMA or conventional financing by providing timely reviews and thorough evaluation of loan risk.
- Administer the FHA Risk Sharing Program that provides credit enhancement to worthy developments while minimizing risk to the Commission and FHA.
- Negotiate the refinancing and restructuring of loans that may be otherwise financed by the conventional market rate.
- 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.

FHA Fully-Insured Mortgage Programs

- Utilize the full reach and range of FHA insured loan products (i.e. HUD Section 221(d)(4), 223 (f)) for new construction, renovation or the refinancing of multifamily and affordable housing by partnering, where applicable, with FHA approved MAP Lenders that have the capacity to issue taxable GNMAs. Depending on the circumstances of the transactions, these programs may have more flexible underwriting requirements than FHA Risk Sharing, allowing our assets to take advance of larger loans at lower interest rates.
- With HOC's bond capacity, participate in transactions that combine taxable GNMA sales with short-term, cash backed tax-exempt bonds and 4% Low Income Housing Tax Credits. This participation assists the project by dramatically reducing the long-term borrowing rate and negative arbitrage associated with affordable housing projects financed with FHA insured mortgage loans.

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 Mortgage Purchase Programs

The Single Family Mortgage Purchase Program 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.

- Complete one or two bond redemptions per year, to reduce overall borrowing cost in the program.
- Make approximately 130 first mortgages to first time homebuyers using Mortgage Backed Securities (MBS) and the secondary market.
- Offer conventional financing through the Fannie Mae Housing Finance Agency (HFA) Preferred Loan Program.
- Oversee the servicing of the active loan portfolio of approximately 660 first mortgages by 11 servicers and approximately 460 County closing cost assistance loans.
- Operate the HOC Homeownership Program (HOC/HOP) which prepares HOC residents for homeownership by providing direct counseling and homebuyer education classes.
- Manage the lending process for the Housing Choice Voucher Homeowner participants.
- Administer various programs that provide closing cost assistance.

Closing Cost Assistance Program

In March 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 $3,500, 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.

Mortgage Backed Securities

On May 2, 2012, the Commission adopted a resolution approving the implementation of a MBS program for the Single Family MPP and allocated $10 million from the PNC Bank, N.A. Line of Credit (PNC LOC) for use by the program. The allocation for the use of the PNC LOC has since been reduced to $5 million.

The MPP has completed its transition from a whole loan program to the MBS program. Whole loans are owned by HOC which also has the risk from foreclosures and delinquencies. Loans in the MBS program are not owned by HOC but rather by its master servicer, U.S. Bank. MBS loans are either guaranteed by Ginnie Mae for FHA insured mortgages, or Fannie Mae for conventional loans. The loans being originated for securitization in the MBS model comply with all of the same rules and requirements as those loans previously purchased by the MPP as whole loans. The risk of foreclosures and delinquencies is borne by the master servicer, not HOC.

Precedent to implementing the MBS program, HOC operated a whole loan program which it retained in its portfolio and serviced by third party servicers. No new whole loans are being originated currently.

FANNIE MAE HFA Preferred Loan Program

In July 2014, HOC along with four local HFAs were approved to participate in the Fannie Mae HFA Preferred program that was previously only available to state agencies. This will allow the program to expand into the conventional mortgage space and include MBS' that are guaranteed by Fannie Mae. One key element of the program is the ability to make loans to eligible homebuyers with a loan-to-value ratio of 97%.

HOC Homeownership Programs

The HOC Home Ownership Program (HOC/HOP) is a homeownership program open to all HOC residents. The program is designed to assist HOC residents become first-time homebuyers. A HOC resident is someone who participates in a HOC program and/or lives in a property owned or managed by HOC.

- The HOC/HOP Program offers new MPDU units owned by HOC to be purchased by qualified HOC residents and/or assists qualified HOC residents to purchase new MPDU units through the Montgomery County Department of Housing and Community Affairs.
- Provides educational opportunities to residents, who are preparing to become homeowners, on budgeting, analyzing credit, and the home purchase process.
- Administers Federal and local programs that provide purchase opportunities for HOC residents.

Performance Measurement Results

Multifamily Bond Issuance

Minimally, Federal rules require that a Multifamily developments financed with tax-exempt bonds 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 the cross subsidy provided by the market rate units.

Multifamily Bond Issuance					
	FY 2015	**FY 2016**	**FY 2017**	**FY 2018***	**FY 2019 Projection**
Number of Loans	4	3	2	3	8
Total Units	752	298	505	1,073	1,043
Total Affordable Units	681	296	162	644	417
% of Affordable Units	91%	99%	32%	40%	40%
Total Bond Issuance ($ millions)	$100.3	$36.8	$124.5	$157.0	$158.0
% of Area Median Income Served	30-80%	30-60%	50-60%	60%	60%

** Two (2) transactions utilized FFB/FHA Risk Share for permanent mortgage.*

Performance Measurement Results cont.

Activities in the Single Family Mortgage Purchase Program

The following table illustrates the activities in the 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.

Mortgage Purchase Program					
	FY 2014	**FY 2015**	**FY 2016**	**FY 2017**	**FY 2018 Projection**
Number of Bond Issues	0	0	1	1	1
Total Available Bond Proceeds ($ millions)	NA	NA	$20.2	$20	$20
Number of MBS Pools	12	23	36	23	30
Total MBS Proceeds ($ millions)	$20.1	$20.2	$23.3	$35.3	$20
Total MPP Loans Funded (MBS+Bonds) ($ millions)	NA	$24	$35	$31.5	$30
# Loans Made (MBS+Bonds)	101	115	148	137	140
Average Loan	$199,020	$207,527	$238,414	$229,880	$230,000
Average Household Income (for average household size of 2)	$65,040	$66,602	$71,157	$72,102	$72,000
% of Area Median Income	76%	76%	82%	82%	82%
Number of Closing Cost Loans (includes County Closing Cost and 3% Purchase Assistance Loans)	112	126	160	155	145
Total Closing Cost Provided	$735,195	$854,826	$1,199,615	$1,204,074	$1,200,000

Budget Overview—Mortgage Finance

The total Adopted FY 2019 budgeted revenues for the Mortgage Finance Division are $6.98 million and total expenses in the FY 2019 Budget are $4.17 million. Personnel costs comprise 53.0% in FY 2019. Operating expenses and other miscellaneous expenses account for 30.84% while non-operating expenses account for the remaining 16.16% in $0.67 million in FY 2019.

Revenue and Expense Statement

Mortgage Finance Division	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Amended Budget	FY 2019 Adopted Budget
Operating Income					
State Grant	$0	$0	$0	$0	$0
County Grant	$165,180	$170,626	$168,398	$177,010	$180,420
Management Fees	$1,844,915	$1,659,014	$1,834,606	$2,497,790	$2,956,750
Miscellaneous Income	$7,500	$7,512	$7,500	$0	$0
TOTAL OPERATING INCOME	**$2,017,595**	**$1,837,152**	**$2,010,504**	**$2,674,800**	**$3,137,170**
Operating Expenses					
Personnel Expenses	$1,932,496	$1,971,429	$1,822,297	$2,088,600	$2,211,450
Operating Expenses - Fees	$949,510	$992,410	$1,004,560	$1,081,460	$1,156,470
Operating Expenses - Administrative	$230,504	$86,041	$105,677	$152,240	$130,870
Tenant Services Expenses	$0	$0	$0	$0	$0
Insurance and Tax Expenses	$0	$0	$0	$0	$0
Maintenance Expenses	$0	$0	$0	$0	$0
TOTAL OPERATING EXPENSES	**$3,112,510**	**$3,049,880**	**$2,932,534**	**$3,322,300**	**$3,498,790**
NET OPERATING INCOME	**($1,094,915)**	**($1,212,728)**	**($922,030)**	**($647,500)**	**($361,620)**
Non-Operating Income					
FHA Risk Sharing Insurance	$623,236	$639,692	$609,502	$755,280	$671,570
Investment Interest Income	$209,453	$454,402	$742,272	$0	$0
Transfer Between Funds	$2,985,541	$2,785,332	$2,761,961	$3,013,410	$3,173,750
TOTAL NON-OPERATING INCOME	**$3,818,230**	**$3,879,426**	**$4,113,735**	**$3,768,690**	**$3,845,320**
Non-Operating Expenses					
Interest Payment	$216,362	$526,329	$906,582	$0	$0
Mortgage Insurance	$7,125	$5,692	$4,000	$5,750	$2,700
FHA Risk Sharing Insurance	$563,236	$639,692	$609,502	$755,280	$671,570
Principal Payment	$0	$0	$0	$0	$0
Miscellaneous Bond Financing Expenses	$0	$0	$0	$0	$0
Restricted Cash Flow	$0	$55,200	$129,433	$3,750	$0
Transfer Out Between Funds	$0	$0	$0	$0	$0
TOTAL NON-OPERATING EXPENSES	**$786,723**	**$1,226,913**	**$1,649,517**	**$764,780**	**$674,270**
NET NON-OPERATING ADJUSTMENTS	**$3,031,507**	**$2,652,513**	**$2,464,218**	**$3,003,910**	**$3,171,050**
NET CASH FLOW	**$1,936,592**	**$1,439,785**	**$1,542,188**	**$2,356,410**	**$2,809,430**

Property Management Division

Adopted Budget
June 6, 2018

Mission Statement

The mission of the Property Management Division is to manage a diverse portfolio of affordable and market rate energy efficient residential communities for low and moderate income households, while striving to create a positive living environment by providing responsive customer service, establishing community partnerships, and maintaining our properties to meet or exceed community standards.

Special points of interest:

The Property Management Division has moved from a centralized operations model to 10 regional HUB offices.

Description

The Property Management Division was restructured during FY 2016, and is now focused on managing the Agency's assets by providing operational and financial oversight and managing the operating budgets and capital budgets for the Agency's portfolios. Four Regional Managers oversee performance of onsite management staff, conduct regular property inspections, coordinate communication from the properties to HOC corporate office, and prepare reports and analysis to evaluate property performance.

Property Management maintains the ten regional HUB offices. The ten HUB offices utilize existing HOC multifamily sites to manage all properties (multifamily and scattered sites) within a 5-7 mile radius of the HUB office. Management and maintenance staff at HUB offices provide an extensive menu of services to all HOC residents including resolving maintenance issues, conducting annual unit inspections, and performing re-certifications. Residents living in scattered communities and units travel to their local HUB office to pay rent, submit work orders, and meet with management staff. HOC also maintains a web portal that allows residents to submit rent payments and work orders online.

In February 2016, Property Management entered into a Property Assistance contract with Edgewood Management to subcontract site operations at five Housing Units Bases (HUBs). The five affected HUBs are Seneca Ridge, Emory Grove, Towne Centre Place, Arcola Towers, and Waverly House and all of the scattered site properties managed by each of these HUBs. HOC will remain as the manager of these properties, performing auditing and reporting, providing technical support for Yardi, and overseeing compliance and activities of Edgewood Management. As the subcontractor, Edgewood will initially operate the five aforementioned HUB offices and provide the daily property operating services to residents in these HUB service areas. As this management initiative proceeds, a larger portion of HOC's portfolio will be awarded to the subcontractor.

The Property Management staff works closely with the Real Estate Development Team (RED) team to evaluate the physical condition and needs of their portfolios and determine how to best manage the assets. The RED Team provides consultation on needed capital repairs, modernization efforts and the overall physical needs of our properties. In the event there are opportunities to comprehensively renovate or reposition a property, this determination is made with the expertise and oversight of the RED Team.

The Property Management Division:

- Ensures lease-up of qualified households under numerous Federal, State, and local affordable housing programs.
- Collects and posts rent and rent-related fees.
- 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.
- Enforces compliance with the conditions of residents' leases.
- In coordination with the Maintenance Division, responds to emergency maintenance needs and ensures that all units are in good repair and compliant with community standards.
- Keeps the grounds and common areas clean and well appointed.
- Assures high satisfaction levels and services as required.
- Delivers quality services to a diverse population with a variety of programs and housing types.

In its role as Montgomery County's Public Housing Authority, HOC owns 136 units of Public Housing and 7,631 units of other housing including, but not limited to, Section 236 properties, and housing supported by Project Based Rental Assistance (PBRA) and Project Based Vouchers (PBV). Of the units that HOC owns, 4,779 units are managed by a third party property manager, and 2,988 are managed by HOC. Included in these units, HOC provides housing utilizing a number of Federal and State programs including HOME funds, State Partnership, Neighborhood Stabilization, Low Income Housing Tax Credits (LIHTC), and bond financed housing.

The properties within the agency portfolio originate from a wide variety of programs with complex regulatory requirements and many have multiple financing sources. In total, HOC oversees 7,767 units of housing across the entire 520 square miles of Montgomery County. These units are found in a number of configurations including clustered family communities, senior housing in mid- and high-rise buildings, various types of apartments, townhouses, and single family homes scattered throughout the County.

A summary of the types of programs and number of units are listed below. Many are included in more than one program or category.

- **Public Housing for Seniors & Disabled** (Rent Subsidies-less than 40% AMI) – 1 property - Elizabeth House - **136 units**
- **HUD Project Based Section 8** (Rent Subsidies -less than 40% AMI) – 7 properties – Bauer Park, Forest Oak, Town Center Apartments, Chelsea Tower, Magruder's Discovery, Paint Branch and Shady Grove – **742 units**
- **HUD Section 236** (Rent Subsidies-less than 40% AMI) – 4 properties – Bauer Park, Georgian Court, Stewartown Homes, and The Willows) – **543 units**
- **RAD Renovations** (Rent Subsidies-less than 40% AMI) - 8 properties – Arcola Towers, Ken Gar, Sandy Spring Meadow, Seneca Ridge, Towne Centre Place, Washington Square, Waverly House and Parkway Woods - **566 units**
- **Special Programs** - State, Local & HOC (Rent Subsidies-less than 40% AMI) – 8 properties – McHome, Southbridge (formerly Aspen Ct.), 527 Dale Drive, Lasko Manor, and Scattered Sites (Jubilee: Hermitage, Wood Edge, Falling Creek & Horizon) – **111 units**
- **Moderate Income** - Tax Credit (Subsidized & Market Rate Rent – 41%-60% of AMI) - 6 properties – The Barclay, Manchester Manor, Pond Ridge, Spring Garden, MHLP IX-MPDU, and MHLP X-MPDU) – **484 units**
- **Other Moderate Income** (Subsidized & Market Rate Rent – 41%-60% of AMI) – 29 properties – Diamond Square, Fairfax Court, The Glen, Glenmont Crossing, Glenmont Westerly, Greenhills, Holiday Park, McKendree , Montgomery Arms, The Oaks at Four Corners, Pomander Court, Pooks Hill

Highrise, Tanglewood and Sligo LP, Sligo Dev Corp-MPDU III , VPC One, VPC Two, Cider Mill, MHLP VII, MHLP VIII, McHome, State Partnership Properties Combined, Holiday Park, CDBG, NSP 1, NCI 1, MPDU I (64), MPDU 2007 Phase II , TPM Dev Corp-MPDU II (59), Scattered Site One Dev Corp, Scattered Site Two Dev Corp) – **3,416 units**

- **High & Mixed Income** (Subsidized & Market Rate Rent – above 61% of AMI) – 1 property – Avondale Apartments – **25 units**
- **High & Mixed Income** (Third Party Subsidized & Market Rate Rent – above 61% of AMI) – 9 properties (Alexander House, The Metropolitan, Pooks Hill Mid-Rise, Strathmore Court, MetroPointe, Timberlawn Crescent, Westwood Tower, Paddington Square, and the Lindley) – **1,722 units**

Properties in the portfolio that are not part of HOC's FY 2019 Operating Budget but are on a calendar year include Section 236 units Tax Credit Units.

Rental income from our Opportunity Housing 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.

In the voucher programs, residents pay no more than 30% of their gross income. Each year, HUD provides an operating subsidy to bridge the gap between the 30% that the residents pay and the cost of operating the units in the voucher program. HUD pays a Housing Assistance Payment (HAP) to bridge the gap between the 30% residents pay and the market rate rent of the housing unit.

Program Objectives

The Property Management Division is actively engaged in reinvigorating its efforts to deliver focused service to our residents. The HUB structure described is intended to empower the property management staff to serve our clients and communities in a more conscientious and timely manner. The Division is also focused on operating in a transparent and financially accountable manner. Measureable outcomes the division seeks to achieve are to:

- Complete all emergency work order within 24 hours,
- Complete all routine work orders within seven days,
- Collect rent due no later than the 10th of every month,
- Process and receive all purchase orders within 30 days, and
- Achieve and maintain occupancy of 98% or better for all properties, excluding those undergoing redevelopment.

In addition to the above stated metrics, the new Maintenance Division is tasked with developing and implementing a robust preventative maintenance program to ensure that all properties are maintained to optimal condition. Property Management ensures that each HUB office is operating in a fiscally sound manner, which includes rent collection, lease enforcement, and sound management of the HUBs' operating and capital budgets.

Performance Measurement Results

Real Estate Assessment Center (REAC)

Nearly 4 million families live in rental housing that is owned, insured, or subsidized by HUD. To ensure that these families have housing that is decent, safe, sanitary, and in good repair, HUD's Real Estate Assessment Center (REAC) conducts approximately 20,000 physical inspections on properties each year. There are a considerable number of HOC owned and managed properties that are subject to REAC inspections. Properties scoring a 90 or above are required to be inspected every three years; properties scoring 80-89 are subject to inspections every two years. Properties scoring below 80 will be inspected every year. Fourteen HOC properties were inspected in 2018 with scores ranging from 54C to 99B, with an average score of 88 and over half of the properties scoring in the 90s.

REAC Scores		
REAC Inspections Scheduled for 2018	**Units**	**Score**
The Willows	195	98Aa
Forest Oak Towers	175	99A
Bauer Park	172	91C
Chelsea Towers	21	54C
Pond Ridge	40	68C
MHLP X	75	94B
Pooks Hill High Rise	189	TBD
MetroPointe	173	TBD
REAC Inspections Scheduled for 2019		
Brookside Glen (The Glen)	90	TBD
Paint Branch	14	01/07/2019
Arcola Towers	306	01/22/2019
Pond Ridge	40	01/24/2019
MHLP 9	76	01/24/2019

Budget Overview—Property Management—Administrative

The Adopted FY 2019 budgeted revenues for Property Management Division Administration are $7.28 million and total operating expenses are $2.28 million. Personnel costs comprise of 80.0% of the Operating Budget in FY 2019. Other operating costs constitute the remainder of the operating budget.

Revenue and Expense Statement

Property Management Division Administration	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Amended Budget	FY 2019 Adopted Budget
Operating Income					
Tenant Income	5,742	11,240	1,607	9,000	0
Non-Dwelling Rental Income	0	0	13,837	0	0
County Grant	$1,037,920	$1,057,506	$1,056,030	$1,037,920	$1,110,830
Management Fees	$5,128,519	$4,785,169	$4,730,332	$5,434,110	$6,164,370
Miscellaneous Income	$1,224	$66	$262	$0	$0
TOTAL OPERATING INCOME	**$6,173,405**	**$5,853,981**	**$5,802,068**	**$6,481,030**	**$7,275,200**
Operating Expenses					
Personnel Expenses	$1,427,978	$1,347,326	$1,662,295	$1,777,440	$1,822,260
Operating Expenses - Fees	$12,030	$12,745	$37,951	$30,590	$56,150
Operating Expenses - Administrative	$176,813	$177,238	$162,673	$105,950	$141,460
Protective Services Expenses	$6,301	$9,617	$18,950	$25,000	$20,460
Utilities Expenses	$53,926	$56,264	$46,696	$72,010	$69,880
Insurance and Tax Expenses	$1,540	$4,630	$11,073	$12,680	$20,460
Maintenance Expenses	$132,804	$147,456	$147,338	$329,120	$146,770
TOTAL OPERATING EXPENSES	**$1,811,392**	**$1,755,276**	**$2,086,976**	**$2,352,790**	**$2,277,440**
NET OPERATING INCOME	**$4,362,013**	**$4,098,705**	**$3,715,092**	**$4,128,240**	**$4,997,760**
Non-Operating Income					
Investment Interest Income	$55	$48	$315	$0	$0
TOTAL NON-OPERATING INCOME	**$55**	**$48**	**$315**	**$0**	**$0**
Non-Operating Expenses					
Interest Payment	$0	$4,185	$6,279	$0	$0
Transfer Out Between Funds	$1,196,041	$1,347,178	$1,430,753	$1,088,470	$1,146,720
TOTAL NON-OPERATING EXPENSES	**$1,196,041**	**$1,351,363**	**$1,437,032**	**$1,088,470**	**$1,146,720**
NET NON-OPERATING ADJUSTMENTS	**($1,195,986)**	**($1,351,315)**	**($1,436,717)**	**($1,088,470)**	**($1,146,720)**
NET CASH FLOW	**$3,166,027**	**$2,747,390**	**$2,278,375**	**$3,039,770**	**$3,851,040**

Budget Overview—Property Management—Elderly Properties

The Adopted FY 2019 budgeted revenues for elderly properties are $3.50 million and total expenses in the Operating Budget are $2.81 million. Non-operational expenses are $0.70 million The Adopted FY 2019 budget for elderly properties is balanced.

Revenue and Expense Statement

Property Management Division Elderly Properties	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Amended Budget	FY 2019 Adopted Budget
Operating Income					
Tenant Income	$3,044,315	$2,490,704	$2,045,315	$2,046,300	$2,462,890
Federal Grant	$2,140,187	$1,962,567	$1,492,245	$769,010	$749,980
Management Fees	$6,732	$2,432	$1,508	$3,120	$1,790
Miscellaneous Income	$34,988	$25,075	$35	$0	$120
TOTAL OPERATING INCOME	**$5,226,222**	**$4,480,778**	**$3,539,103**	**$2,818,430**	**$3,214,780**
Operating Expenses					
Personnel Expenses	$1,803,669	$1,407,654	$1,098,468	$1,158,090	$1,219,770
Operating Expenses - Fees	$716,939	$551,717	$392,376	$402,770	$407,770
Operating Expenses - Administrative	$238,520	$184,581	$63,240	$61,050	$68,720
Tenant Services Expenses	$50,888	$72,865	$84,739	$56,980	$59,970
Protective Services Expenses	$45,059	$22,569	$27,678	$14,220	$23,070
Utilities Expenses	$1,074,431	$707,587	$584,530	$561,090	$433,870
Insurance and Tax Expenses	$114,461	$80,153	$70,852	$70,230	$55,810
Maintenance Expenses	$572,279	$513,893	$391,510	$369,370	$377,080
Housing Assistance Payments (HAP)	$0	$455,639	$635,208	$0	$161,260
TOTAL OPERATING EXPENSES	**$4,616,246**	**$3,996,658**	**$3,348,601**	**$2,693,800**	**$2,807,320**
NET OPERATING INCOME	**$609,976**	**$484,120**	**$190,502**	**$124,630**	**$407,460**
Non-Operating Income					
Investment Interest Income	($2,210)	($1,853)	($3,447)	($2,670)	($1,750)
Transfer Between Funds	$145,218	$219,234	$353,147	$371,250	$291,540
TOTAL NON-OPERATING INCOME	**$143,008**	**$217,381**	**$349,700**	**$368,580**	**$289,790**
Non-Operating Expenses					
Interest Payment	$143,550	$135,123	$126,087	$116,470	$106,220
Mortgage Insurance	$11,336	$10,666	$9,945	$9,180	$9,760
Principal Payment	$119,857	$139,330	$148,365	$157,980	$168,230
Operating and Replacement Reserves	$157,665	$171,996	$171,996	$172,000	$172,000
Restricted Cash Flow	$320,576	$244,386	$83,809	$37,580	$241,040
TOTAL NON-OPERATING EXPENSES	**$752,984**	**$701,501**	**$540,202**	**$493,210**	**$697,250**
NET NON-OPERATING ADJUSTMENTS	**($609,976)**	**($484,120)**	**($190,502)**	**($124,630)**	**($407,460)**
NET CASH FLOW	**$0**	**$0**	**$0**	**$0**	**$0**

Budget Overview—Property Management—Family Properties

The Adopted FY 2019 budgeted revenues for family properties are $66.34 million and total expenses in the Operating Budget are $28.37 million. Non-operational expenses are $36.35 million in FY 2019.

Revenue and Expense Statement

Property Management Division Family Properties	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Amended Budget	FY 2019 Adopted Budget
Operating Income					
Tenant Income	$47,998,819	$46,833,411	$46,169,212	$51,471,940	$64,642,840
Non-Dwelling Rental Income	$543,057	$840,820	$847,952	$925,680	$919,680
Federal Grant	$1,298,701	$726,669	$93,292	$100,550	$42,000
Management Fees	$9,895	$14,162	$16,229	$20,670	$63,120
Miscellaneous Income	$188,553	$174,124	$136,335	$35,230	$158,920
TOTAL OPERATING INCOME	**$50,039,025**	**$48,589,186**	**$47,263,020**	**$52,554,070**	**$65,826,560**
Operating Expenses					
Personnel Expenses	$5,754,457	$5,405,549	$5,449,995	$6,417,250	$7,733,690
Operating Expenses - Fees	$3,978,134	$3,797,788	$3,676,967	$4,449,450	$5,427,320
Operating Expenses - Administrative	$1,808,333	$1,783,947	$1,616,030	$1,560,700	$1,945,760
Tenant Services Expenses	$146,759	$149,369	$139,335	$350,610	$380,680
Protective Services Expenses	$618,618	$663,201	$569,519	$518,800	$709,470
Utilities Expenses	$3,881,749	$3,939,984	$3,667,925	$4,238,190	$4,727,430
Insurance and Tax Expenses	$845,244	$899,301	$724,518	$937,990	$1,873,860
Maintenance Expenses	$4,214,282	$4,212,372	$3,848,840	$4,617,340	$5,570,270
Housing Assistance Payments (HAP)	$594,983	$245,128	$0	$0	$0
TOTAL OPERATING EXPENSES	**$21,842,559**	**$21,096,639**	**$19,693,129**	**$23,090,330**	**$28,368,480**
NET OPERATING INCOME	**$28,196,466**	**$27,492,547**	**$27,569,891**	**$29,463,740**	**$37,458,080**
Non-Operating Income					
Investment Interest Income	($31,383)	($16,886)	($7,831)	($10,550)	($24,300)
Transfer Between Funds	$794,717	$1,360,760	$794,383	$949,020	$542,290
TOTAL NON-OPERATING INCOME	**$763,334**	**$1,343,874**	**$786,552**	**$938,470**	**$517,990**
Non-Operating Expenses					
Interest Payment	$9,277,200	$8,731,363	$9,405,354	$10,174,310	$15,841,810
Mortgage Insurance	$690,722	$693,428	$735,093	$881,400	$711,760
Principal Payment	$6,083,345	$5,983,782	$6,375,569	$7,180,340	$6,592,400
Debt Service, Operating and Replacement Reserves	$1,714,563	$3,649,432	$2,781,644	$2,125,910	$3,040,740
Restricted Cash Flow	$6,070,733	$4,806,639	$4,244,197	$5,435,700	$6,407,770
Development Corporation Fees	$4,097,309	$4,303,043	$4,479,315	$3,911,080	$3,758,440
TOTAL NON-OPERATING EXPENSES	**$27,933,872**	**$28,167,687**	**$28,021,172**	**$29,708,740**	**$36,352,920**
NET NON-OPERATING ADJUSTMENTS	**($27,170,538)**	**($26,823,813)**	**($27,234,620)**	**($28,770,270)**	**($35,834,930)**
NET CASH FLOW	**$1,025,928**	**$668,734**	**$335,271**	**$693,470**	**$1,623,150**

Budget Overview—Property Management—Scattered Site Properties

The Adopted FY 2019 budgeted revenues for scattered-site properties are $21.75 million and total expenses in the Operating Budget are $11.65 million. Non-operational expenses are $9.40 million in FY 2019.

Revenue and Expense Statement

Property Management Division Scattered Site Properties	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Amended Budget	FY 2019 Adopted Budget
Operating Income					
Tenant Income	$16,070,490	$17,370,652	$18,369,395	$20,706,500	$21,446,610
Non-Dwelling Rental Income	$0	$0	$3,711	$0	$0
Federal Grant	$2,171,917	$1,278,214	$666,753	$0	$0
Management Fees	$384	$87	$101	$0	$70
Miscellaneous Income	$1,042	$103,888	$8,769	$0	$0
TOTAL OPERATING INCOME	**$18,243,833**	**$18,752,841**	**$19,048,729**	**$20,706,500**	**$21,446,680**
Operating Expenses					
Personnel Expenses	$3,098,164	$3,174,024	$3,410,363	$3,461,390	$3,664,090
Operating Expenses - Fees	$4,998,946	$4,581,503	$4,815,467	$5,512,840	$5,705,870
Operating Expenses - Administrative	$355,774	$853,769	$369,153	$181,990	$262,570
Tenant Services Expenses	$470	$3,299	$587	$1,920	$670
Protective Services Expenses	$478	$9,522	$5,501	$0	$0
Utilities Expenses	$408,802	$324,264	$274,825	$240,460	$198,010
Insurance and Tax Expenses	$605,297	$614,609	$645,786	$635,700	$665,840
Maintenance Expenses	$1,256,338	$1,472,523	$1,336,843	$1,147,430	$1,156,930
Housing Assistance Payments (HAP)	$93,307	$61,203	$0	$0	$0
TOTAL OPERATING EXPENSES	**$10,817,576**	**$11,094,716**	**$10,858,525**	**$11,181,730**	**$11,653,980**
NET OPERATING INCOME	**$7,426,257**	**$7,658,125**	**$8,190,204**	**$9,524,770**	**$9,792,700**
Non-Operating Income					
Investment Interest Income	($3,379)	($4,043)	($11,584)	($3,620)	($6,830)
Transfer Between Funds	$344,459	$671,609	$1,239,330	$1,112,220	$307,330
TOTAL NON-OPERATING INCOME	**$341,080**	**$667,566**	**$1,227,746**	**$1,108,600**	**$300,500**
Non-Operating Expenses					
Interest Payment	$776,186	$966,866	$1,354,445	$3,436,370	$2,103,240
Mortgage Insurance	$59,910	$54,263	$67,041	$337,960	$63,030
Principal Payment	$566,695	$538,533	$587,562	$1,493,530	$1,781,480
Operating and Replacement Reserves	$777,057	$3,608,075	$4,597,565	$821,290	$2,176,870
Restricted Cash Flow	$2,262,741	$1,700,518	$988,729	$665,440	$137,980
Development Corporation Fees	$1,951,940	$907,974	$1,113,060	$3,163,600	$3,139,610
Transfer Out Between Funds	$872,591	$0	$12,693	$0	$0
TOTAL NON-OPERATING EXPENSES	**$7,267,120**	**$7,776,229**	**$8,721,095**	**$9,918,190**	**$9,402,210**
NET NON-OPERATING ADJUSTMENTS	**($6,926,040)**	**($7,108,663)**	**($7,493,349)**	**($8,809,590)**	**($9,101,710)**
NET CASH FLOW	**$500,217**	**$549,462**	**$696,855**	**$715,180**	**$690,990**

Master Lease Properties—Revenue and Expense Statement

Property Management Division Master Lease Properties	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Amended Budget	FY 2019 Adopted Budget
Operating Income					
Tenant Income	($5,436)	$0	$0	$0	$0
Miscellaneous Income	$5,826	$0	$897	$0	$0
TOTAL OPERATING INCOME	**$390**	**$0**	**$897**	**$0**	**$0**
Operating Expenses					
Operating Expenses - Fees	$0	$0	$84	$0	$0
Operating Expenses - Administrative	$687	$569	$900	$0	$0
Utilities Expenses	$0	$0	($63)	$0	$0
Maintenance Expense	$118	$0	$0	$0	$0
TOTAL OPERATING EXPENSES	**$805**	**$569**	**$921**	**$0**	**$0**
NET OPERATING INCOME	**($415)**	**($569)**	**($24)**	**$0**	**$0**
Non-Operating Income					
Investment Interest Income	$9	$8	$24	$0	$0
Transfer Between Funds	$1,849	$563	$0	$0	$0
TOTAL NON-OPERATING INCOME	**$1,858**	**$571**	**$24**	**$0**	**$0**
Non-Operating Expenses					
Transfer Out Between Funds	$1,443	$2	$0	$0	$0
TOTAL NON-OPERATING EXPENSES	**$1,443**	**$2**	**$0**	**$0**	**$0**
NET NON-OPERATING ADJUSTMENTS	**$415**	**$569**	**$24**	**$0**	**$0**
NET CASH FLOW	**$0**	**$0**	**$0**	**$0**	**$0**

Capital Fund Program—Revenue and Expense Statement

Property Management Division Capital Fund Program	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Amended Budget	FY 2019 Adopted Budget
Operating Income					
Federal Grant	$724,942	$344,812	$342,204	$0	$0
TOTAL OPERATING INCOME	**$724,942**	**$344,812**	**$342,204**	**$0**	**$0**
Operating Expenses					
Personnel Expenses	$22,165	$9,677	$13,193	$0	$0
Operating Expenses - Fees	$89,970	$176,282	$59,394	$0	$0
Operating Expenses - Administrative	$108,450	$18,170	$113,027	$0	$0
Housing Assistance Payments (HAP)	$140,683	$140,683	$156,590	$0	$0
TOTAL OPERATING EXPENSES	**$361,268**	**$344,812**	**$342,204**	**$0**	**$0**
NET OPERATING INCOME	**$363,674**	**$0**	**$0**	**$0**	**$0**
Non-Operating Income					
Investment Interest Income	$39	$0	$0	$0	$0
TOTAL NON-OPERATING INCOME	**$39**	**$0**	**$0**	**$0**	**$0**
Non-Operating Expenses					
Restricted Cash Flow	$363,713	$0	$0	$0	$0
TOTAL NON-OPERATING EXPENSES	**$363,713**	**$0**	**$0**	**$0**	**$0**
NET NON-OPERATING ADJUSTMENTS	**($363,674)**	**$0**	**$0**	**$0**	**$0**
NET CASH FLOW	**$0**	**$0**	**$0**	**$0**	**$0**

Real Estate Development Division

Adopted Budget
June 6, 2018

Mission Statement

The mission of the Real Estate Development Division is to create investment opportunities that equalize access to quality housing through stewardship of public resources.

Special points of interest:

The Real Estate Development Division preserves and expands mixed income housing in Montgomery County.

Description

The Real Estate Development Division operates to preserve and expand the number of mixed income 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 create and preserve low- to moderate-income market rate housing and to avoid the loss of subsidies for properties developed with federal assistance. 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-income, and market rate households.

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 including identifying new sources of funds, developing renovation scopes of work and engaging consultants to manage the redevelopment process.

The division is integral to the vision of HOC as a real estate company. Therefore, its activities will focus on expanding its approach and ability to develop mixed-income housing with an emphasis on amenity-rich, larger scale properties that are environmentally and financially stable. Achieving this objective will require existing portfolio analysis for redevelopment opportunities, prospecting for opportunities, building partnerships, and identifying alternative sources of equity.

Program Objectives

Operating under the new Strategic Plan, The Real Estate Development Division will use its development capacity to expand its approach and ability to develop mixed-income housing with an emphasis on amenity-rich, larger scale properties that are environmentally and financially stable. Achieving this objective will require:

- Prospecting for opportunities,
- Building partnerships, and
- Identifying alternative sources of debt and equity.

Budget Overview—Real Estate Division

The total Adopted FY 2019 budgeted revenues for the Real Estate Division are $3.17 million and total expenses are $2.13 million. Personnel costs comprise 88.1% of the total operating expenses in FY 2019. Operating and other miscellaneous expenses account for the balance of the budget.

Revenue and Expense Statement

Real Estate Division	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Amended Budget	FY 2019 Adopted Budget
Operating Income					
County Grant	0	0	$0	$0	$0
Management Fees	253,646	403,176	$547,915	$1,831,830	$1,727,690
Other Service Income	0	0	$0	$0	$0
Miscellaneous Income	0	5,000	$0	$0	$0
TOTAL OPERATING INCOME	**$253,646**	**$408,176**	**$547,915**	**$1,831,830**	**$1,727,690**
Operating Expenses					
Personnel Expenses	1,030,157	$1,426,403	$1,584,453	$1,768,480	$1,876,590
Operating Expenses - Fees	530	($8,815)	$0	$10,930	$10,940
Operating Expenses - Administrative	273,362	$182,212	$214,007	$226,740	$237,780
Tenant Services Expenses	461	0	0	$0	$0
Insurance and Tax Expenses	0	0	0	$4,000	$4,190
Maintenance Expenses	0	$0	$0	$0	$1,000
TOTAL OPERATING EXPENSES	**$1,304,510**	**$1,599,800**	**$1,798,460**	**$2,010,150**	**$2,130,500**
NET OPERATING INCOME	**($1,050,864)**	**($1,191,624)**	**($1,250,545)**	**($178,320)**	**($402,810)**
Non-Operating Income					
Transfer Between Funds	$1,738,873	$1,250,252	$1,154,176	$1,458,020	$1,446,820
TOTAL NON-OPERATING INCOME	**$1,738,873**	**$1,250,252**	**$1,154,176**	**$1,458,020**	**$1,446,820**
Non-Operating Expenses					
Operating Reserve Contribution	0	0	$0	$0	$0
Transfer Out Between Funds	0	0	$0	$0	$0
TOTAL NON-OPERATING EXPENSES	**$0**	**$0**	**$0**	**$0**	**$0**
NET NON-OPERATING ADJUSTMENTS	**$1,738,873**	**$1,250,252**	**$1,154,176**	**$1,458,020**	**$1,446,820**
NET CASH FLOW	**$688,009**	**$58,628**	**($96,369)**	**$1,279,700**	**$1,044,010**

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Resident Services Division

Mission Statement

The mission of Resident Services is to maximize housing stability, promote self-sufficiency and improve the quality of life for HOC clients through the provision of: assessment and intervention services; housing assistance; service coordination; and, education and enrichment programs.

Special points of interest:

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

Description

The Resident Services Division is responsible for providing services to residents and participants in HOC's programs. Core services include the following service coordination, housing stabilization and supportive services:

- Eviction prevention and intervention.
- Complaint resolution, crisis intervention, leases compliance assistance.
- Stabilization and support for individuals with disabilities.
- Information and referral to community resources.
- Assessment, counseling and service coordination.
- On-site education, recreation, life skills and wellness programming for youth and seniors.
    - Community Engagement Workshops and Programs;
    - Financial Literacy services: budgeting, credit repair, and money management assistance.

Other services include:

- Administration of Federal Housing Programs for homeless and disabled single adults and families.
- Administration of County funded Housing Assistance Program to eliminate homelessness while stabilizing residents in affordable housing.
- Housing Counseling and Housing Location services.

Program Objectives

Core Services to Families and Elderly

- Reduce non-compliance among HOC residents through workshops on financial literacy, housekeeping and re-certification.
- Provide assessment, crisis intervention, counseling information, and referral services to HOC residents to assist them with responsibly maintaining their housing, and moving towards self-sufficiency.
- Connect residents to community-based support services and financial resources to address financial, medical, and social barriers.
- Maximize resident involvement in HOC programs by facilitating community engagement activities including focus groups, surveys and community forums.

Program Services

- Develop and operate programs that promote self-sufficiency and stabilize communities, and offer activities that motivate and improve personal wellbeing at elderly and multifamily HOC properties.
- Provide nutritious meals and social interaction to avoid isolation during weekdays for senior residents annually at Waverly House, Elizabeth House, Forest Oak Towers, Bauer Park, Arcola Towers, and Town Center Apartments through operation of the Senior Nutrition Program.
- Enroll at-risk youth in after-school tutoring or homework assistance and social and recreational programs.
- Establish and maintain partnerships to involve youth and seniors in a variety of constructive activities encompassing nutrition, youth groups, exercise programs, and more.
- Provide assistance to disabled individuals and families to ensure adequate housing placements and opportunities to live independently and to make self-determined choices that promote responsibility and community inclusion.
- Screen applications, determine eligibility, and issuance of housing stabilization assistance in response to housing crises.

Federal and County Funded Supportive Housing Programs for Homeless Households

- Effectively operate programs designed to prevent and end homelessness including: (1) the HUD funded Permanent Supportive Housing Program, and (2) the County funded Rent Supplemental Program which provides a 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.
- Continue collaboration with the Department of Health & Human Services (DHHS) under the Housing First Initiative to eliminate homelessness in the County by: (1) administering County grants providing emergency financial assistance to HOC residents for rent delinquencies and/or utility disconnections, (2) providing service coordination and ongoing case management to homeless households placed in housing to ensure retention of housing, and (3) providing Housing Location services to search out and locate landlords and vacant units where homeless households can be placed.
- Provide shallow rental assistance to approximately 300 households with incomes between 20-40% of Area Median Income. This program will help prevent homelessness of very economically vulnerable individuals and families.
- Connect clients to therapeutic services.

Performance Measurement Results

The charts below depict ongoing performance measurement results that are currently tracked in the Resident Services Division. Staff continues to develop additional measurements as programs are added.

Program/Service Provision (# of Residents Served)	FY 2017 Actuals	FY 2018 Actuals	FY 2019 Goal
Housing Stabilization (emergency assistance for rent and utility arrearages)	252	265	250
Youth & Family on-site programming	350	400	375
Senior on-site programming	N/A	913	650
Eviction/Termination prevention and intervention services	254	353	375
Housing Services for the Homeless (Federal)	217	232	232
Housing Assistance (County)	521	431	415
Counseling Services	3,850	3,928	3,950
Adult Education, Training & Employment Services	N/A	110	120

FY 2018 Metrics		
Metric Description	**Target/Goal**	**Actuals**
Achieve a high success rate for residents with disabilities that are served who are at imminent risk of termination due to non-compliance with the recertification process	98%	100%
Achieve goals for HOC operated programs at HOC properties	95%	95%
Reduce the number of residents with disabilities and language barriers that are non-compliant with the recertification process through workshops and service	90%	100%
Maintain executed and valid MOUs for all outside vendors providing services at HOC properties	95%	100%
Maintain a high housing retention rate for clients housed under the McKinney Programs and Housing Initiative Program	95%	100%
Maintain a high housing retention rate for clients served that are at imminent risk of eviction	98&	100%

Performance Measurement Results (cont.)

FY 2019 Metrics		
Metric Description	**Target/Goal**	**Actuals**
Achieve a high rent collection rate for participants in the McKinney supportive housing program.	92%	TBD
Achieve a high housing retention rate for participants in the McKinney supportive housing programs.	95%	TBD
Achieve goals for HOC operated programs at HOC properties.	95%	TBD
Identify HOC units and have them modified as accessible to house persons with disabilities who are in existing institutions.	10 persons 10 units	TBD
Identify HOC units and have them modified as accessible to house non-elderly persons with disabilities.	5 persons 5 units	TBD
House and provide rent subsidies to young adults who have recently aged out of foster care.	5 persons housed	TBD
Expand financial literacy services to persons on the HOC Housing Path Waitlist.	300 people served	TBD
Increase resident participation in workforce development, youth education and enrichment programs and/or services.	5% increase	TBD
Achieve a high success rate for residents with disabilities that are served who are at imminent risk of termination due to non-compliance with the recertification process	98%	TBD

Budget Overview—Resident Services Division

The total Adopted FY 2019 budgeted revenues for the Resident Services Division are $14.87 million. Personnel costs comprise 40.6% of the FY 2019 Adopted budget.

Revenue and Expense Statement

Resident Services Division	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Amended Budget	FY 2019 Adopted Budget
Operating Income					
Tenant Income	$566,353	$748,827	740,112	$758,990	$833,660
Non-Dwelling Rental Income	$190,000	$0	0	$0	$0
Federal Grant	$3,865,550	$3,718,156	4,339,296	$4,657,850	$4,938,830
State Grant	$194,723	$157,083	184,480	$174,080	$0
County Grant	$7,176,197	$7,597,782	7,868,721	$8,668,220	$8,796,810
Private Grant	$0	$0	0	$0	$0
Management Fees	$0	$0	0	$0	$0
Miscellaneous Income	$23,557	$6,000	6,000	$6,000	$6,000
TOTAL OPERATING INCOME	**$12,016,380**	**$12,227,848**	**$13,138,609**	**$14,265,140**	**$14,575,300**
Operating Expenses					
Personnel Expenses	$5,335,395	$4,928,449	$5,358,597	$5,630,800	$5,966,680
Operating Expenses - Fees	$1,059,569	$724,963	$1,089,347	$828,750	$912,770
Operating Expenses - Administrative	$211,767	$252,868	$432,552	$487,610	$386,800
Tenant Services Expenses	$4,201,598	$5,179,146	$5,258,522	$6,446,160	$6,319,420
Protective Services Expenses	$0	$0	$0	$0	$0
Utilities Expenses	$242,811	$232,965	$256,610	$282,450	$327,010
Insurance and Tax Expenses	$16,330	$20,880	$21,050	$26,800	$43,180
Maintenance Expenses	$0	$0	$0	$1,500	$300,000
Housing Assistance Payments (HAP)	$479,800	$0	$0	$0	$0
TOTAL OPERATING EXPENSES	**$11,547,270**	**$11,339,271**	**$12,416,678**	**$13,704,070**	**$14,255,860**
NET OPERATING INCOME	**$469,110**	**$888,577**	**$721,931**	**$561,070**	**$319,440**
Non-Operating Income					
Investment Interest Income	$23	$21	$57	$0	$0
Transfer Between Funds	$940,394	$105,029	$85,475	$100,300	$292,330
TOTAL NON-OPERATING INCOME	**$940,417**	**$105,050**	**$85,532**	**$100,300**	**$292,330**
Non-Operating Expenses					
Debt Service, Operating and Replacement Reserves	$0	$0	$0	$0	$0
Restricted Cash Flow	$303,675	$25,080	$355,933	$332,400	$263,710
Transfer Out Between Funds	$1,095,708	$880,100	$285,583	$219,290	$170,500
TOTAL NON-OPERATING EXPENSES	**$1,399,383**	**$905,180**	**$641,516**	**$551,690**	**$434,210**
NET NON-OPERATING ADJUSTMENTS	**($458,966)**	**($800,130)**	**($555,984)**	**($451,390)**	**($141,880)**
NET CASH FLOW	**$10,144**	**$88,447**	**$165,947**	**$109,680**	**$177,560**

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Section 3:
CAPITAL
Tab

Capital Budget

Adopted Budget
June 6, 2018

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.

Capital Budget Summary Overview

The total Adopted FY 2019 Capital Budget is $256.8 million. The FY 2019 Capital Budget includes funds to maintain current Information Technology needs, as well as, improvements to the Kensington and East Deer Park Offices. Funds have also been included for capital improvements to HOC's Opportunity Housing and Development Corporation properties. The total Capital Improvements Budget for Opportunity Housing Properties will is $5.1 million for FY 2019.

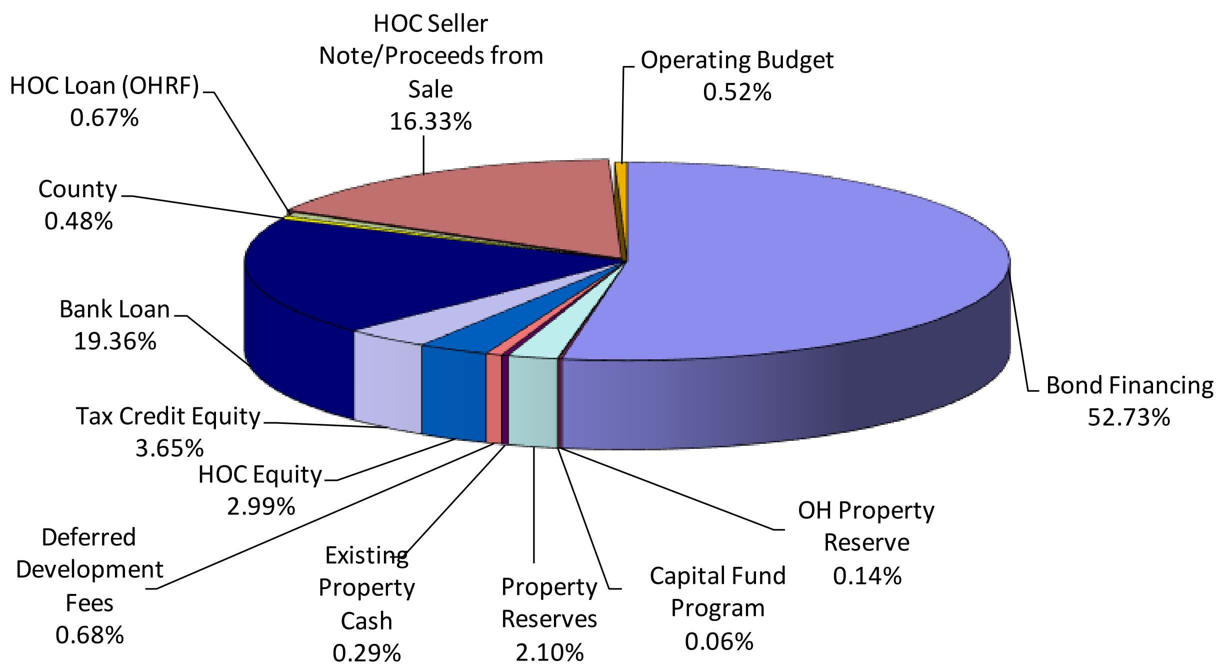
The Capital Development Budget includes funds for refinancing and renovations at thirteen properties. The total development budget is $249.7 million for FY 2019.

Special points of interest:

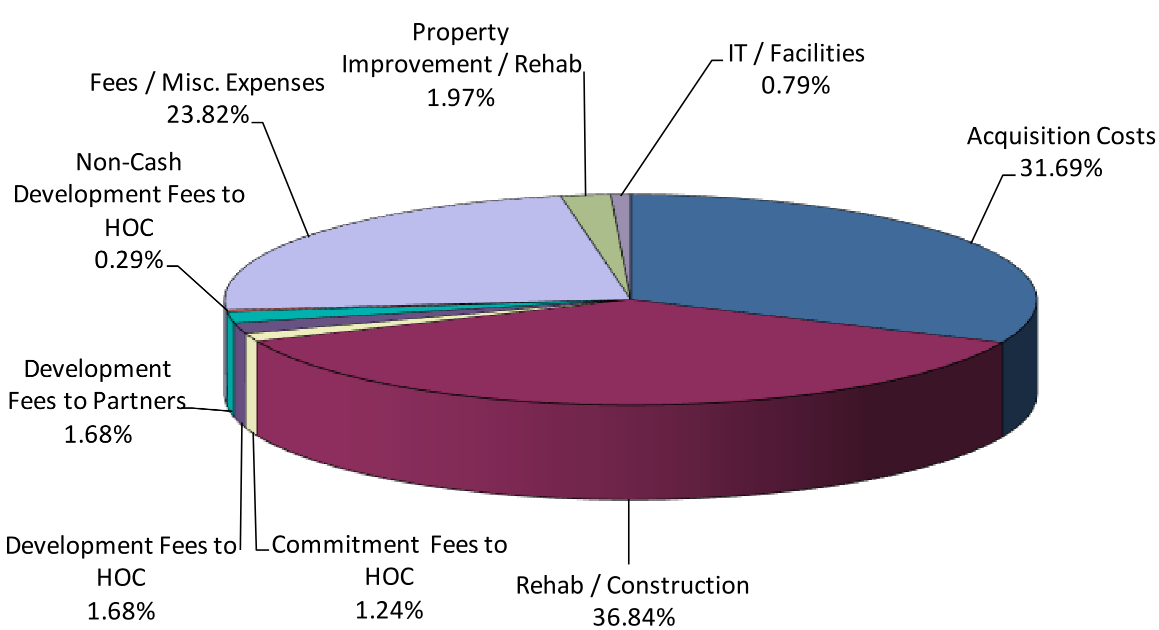
The FY 2019 Capital Budget is $256.8 million.

Capital Budget Summary	FY 2019 Adopted Budget
Capital Improvements	
East Deer Park	$225,000
Kensington Office	$445,000
Information Technology	$1,348,000
Opportunity Housing Properties	$5,068,470
Public Housing Properties	$0
SUBTOTAL	**$7,086,470**
Capital Development Projects	
8240 Fenton (formerly 900 Thayer)	$25,527,590
Alexander House	$12,827,760
Arcola Towers	$366,610
Bauer Park	$34,071,080
Deeply Affordable Units	$1,250,000
Elizabeth House III	$33,525,360
Georgian Court	$30,343,290
Greenhills	$3,646,850
The Lindley (CCL)	$30,854,800
Shady Grove	$34,007,450
Stewartown	$20,522,580
Upton II	$22,211,370
Waverly House	$586,400
SUBTOTAL	**$249,741,140**
TOTAL	**$256,827,610**

FY 2019—Source of Funds



FY 2019—Use of Funds



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 primarily financed through mortgage proceeds 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 Improvement Budget—Facilities and IT Department

Facilities and Information Technology (IT) Improvements

The Capital Budget for Facilities includes capital improvements for the Kensington and East Deer Park offices. 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 Facilities & IT Department	FY 2019 Adopted Budget		
		Revenue Sources	
	Total Expenses	Operating Budget	RfR
Facilities			
East Deer Park	$225,000	$0	$225,000
Kensington	$445,000	$0	$445,000
Subtotal - Facilities	**$670,000**	**$0**	**$670,000**
Information Technology (IT)			
Computer Software	$937,000	$937,000	$0
Computer Equipment	$411,000	$411,000	$0
Subtotal - IT Improvements	**$1,348,000**	**$1,348,000**	**$0**
TOTAL	**$2,018,000**	**$1,348,000**	**$670,000**

Capital Improvement Budget—Opportunity Housing Properties

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 multiyear 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 the Opportunity Housing (OH) Property Reserve.

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 2019 Adopted Budget

		Revenue Sources		
	Total Expenses	Property Reserves	OH Property Property Reserve	FY 2019 RfR
Alexander House	$15,000	$15,000	$0	$0
Avondale Apartments	$21,420	$11,420	$0	$10,000
Barclay, The	$28,800	$28,800	$0	$0
Brook Park	$1,300	$1,300	$0	$0
Brookside Glen (The Glen)	$136,400	$136,400	$0	$0
CDBG-NSP-NCI	$17,000	$17,000	$0	$0
Chelsea Towers	$20,300	$20,300	$0	$0
Cider Mill	$504,700	$504,700	$0	$0
Dale Drive	$10,200	$10,200	$0	$0
Diamond Square	$497,700	$497,700	$0	$0
Fairfax Court	$71,000	$71,000	$0	$0
Glenmont Crossing	$272,800	$214,600	$0	$58,200
Glenmont Westerly	$188,590	$188,590	$0	$0
Holiday Park	$17,420	$17,420	$0	$0
Jubilee Hermitage	$400	$400	$0	$0
Jubilee Horizon Court	$1,000	$1,000	$0	$0
Jubilee Woodedge	$1,360	$1,360	$0	$0
Ken Gar	$2,500	$2,500	$0	$0
King Farm Village Center	$600	$200	$0	$400
Magruder's Discovery	$64,000	$64,000	$0	$0
Manchester Manor	$18,920	$18,920	$0	$0
McHome	$72,260	$33,110	$22,750	$16,400
McKendree	$17,560	$1,580	$4,780	$11,200
MetroPointe	$215,600	$109,630	$75,970	$30,000
Metropolitan	$229,100	$229,100	$0	$0
Montgomery Arms	$75,110	$75,110	$0	$0
MHLP VII	$39,350	$0	$25,350	$14,000

Capital Improvement Budget—Opportunity Housing Properties (cont.)

Capital Improvements Budget Opportunity Housing & Development Corporations	FY 2019 Adopted Budget			
		Revenue Sources		
	Total Expenses	Property Reserves	OH Property Property Reserve	FY 2019 RfR
(cont.)				
MHLP VIII	$67,400	$67,400	$0	$0
MPDU 2007 - Phase II	$1,500	$0	$0	$1,500
MPDU I (64)	$47,840	$14,440	$5,860	$27,540
TPM - MPDU II (59)	$88,000	$0	$70,300	$17,700
Oaks @ Four Corners, The	$249,180	$249,180	$0	$0
Paddington Square	$91,240	$91,240	$0	$0
Paint Branch	$15,760	$1,520	$5,840	$8,400
Parkway Woods	$15,600	$15,600	$0	$0
TPP LLC - Pomander Court	$12,840	$4,230	$1,410	$7,200
Pooks Hill High-Rise	$297,280	$297,280	$0	$0
Pooks Hill Mid-Rise	$98,970	$98,970	$0	$0
Sandy Spring Meadow	$12,580	$12,580	$0	$0
Scattered Site One	$147,500	$0	$33,500	$114,000
Scattered Site Two	$73,500	$73,500	$0	$0
Seneca Ridge	$25,210	$25,210	$0	$0
Shady Grove	$186,000	$186,000	$0	$0
Sligo MPDU III	$29,900	$10,680	$10,030	$9,190
Southbridge	$21,490	$21,490	$0	$0
State Rental Combined	$122,160	$0	$35,060	$87,100
Strathmore Court	$204,400	$0	$43,090	$161,310
TPP LLC - Timberlawn	$64,800	$2,700	$17,160	$44,940
Towne Center Place	$26,600	$26,600	$0	$0
VPC One	$133,550	$133,550	$0	$0
VPC Two	$68,500	$68,500	$0	$0
Washington Square	$7,850	$7,850	$0	$0
Westwood Tower	$250,430	$0	$0	$250,430
Willows	$168,000	$168,000	$0	$0
TOTAL	**$5,068,470**	**$3,847,860**	**$351,100**	**$869,510**

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.

The Commission believes that its acquisition and rehabilitation efforts create strong communities and contribute to the overall economic well being of Montgomery County. The FY 2019 Capital Develop Budget anticipates development and/or renovations of the following properties: 8240 Fenton (formerly 900 Thayer), Alexander House, Arcola Towers, Bauer Park, Deeply Affordable Units, Elizabeth House III, Georgian Court, Greenhills, The Lindley (CCL), Shady Grove, Stewartown, Upton II, and Waverly House.

Capital Development Projects

8240 Fenton (formerly 900 Thayer)

On August 5, 2015, the Commission authorized the Executive Director to enter into a Purchase & Sale Agreement ("PSA") for the purchase of approximately 28,526 square feet of land at the southwest corner of Thayer Avenue and Fenton Street ("900 Thayer"). The site had Site Plan approval for 124 residential units with 5,500 square feet of ground-floor retail space.

The future community at 8240 Fenton will be an attractive, amenity-rich, energy-efficient senior rental property located two blocks from the location of The Bonifant, which is the other major relocation property associated with the conversion of Elizabeth House from Public Housing. Entitled under the CBD-1 zoning designation, the site currently bears a surface parking lot and a small auto service building on the site.

While 8240 Fenton is two blocks from the southern edge of redeveloped Downtown Silver Spring, it has good pedestrian access to all of these shops and services. Further, the new Silver Spring Library and The Bonifant have filled in one of the two blocks with new development. Between The Bonifant and 8240 Fenton are a new condominium project and a Safeway that is ripe for eventual redevelopment as well.

The exterior of the future building has both ground floor amenities – including an inset plaza entrance and outdoor seating terrace behind the building – and rooftop amenities – including a terrace and two wrap-around balconies atop the fourth residential floor (the fifth floor is set back). The building is full of windows, including shop-front windows along the ground floor.

The building is currently designed to include a number of studio units, 30 two-bedroom units, and differing sizes for what were to be the market rate units and MPDUs. Staff will direct the architect to alter each floor plate plan – making all units the same size, reducing the two-bedroom unit count by five, and upsizing all studio units to one-bedroom units.

The charts on the following page depict the anticipated Expenditure and Funding Schedules as well as the anticipated impact on the Operating Budget.

Capital Development Projects (cont.)

8240 Fenton (formerly 900 Thayer)

Expenditure Schedule

Cost Element	Total	FY 2019	FY 2020
Acquisition Costs	$6,548,000	$6,548,000	$0
Rehab / Construction	$32,948,240	$10,982,750	$21,965,490
Commitment Fees to HOC	$380,000	$380,000	$0
Development Fees to HOC	$2,005,220	$393,600	$1,611,620
Non-Cash Development Fees to HOC	$1,988,100	$0	$1,988,100
Fees / Misc. Expenses	$7,223,240	$7,223,240	$0
Total	**$51,092,800**	**$25,527,590**	**$25,565,210**

Funding Schedule

Funding Source	Total	FY 2019	FY 2020
Bond Financing	$17,948,260	$17,948,260	$0
Tax Credit Equity	$19,523,820	$0	$19,523,820
HOC Equity (Soft Loan)	$11,632,620	$7,579,330	$4,053,290
Deferred Development Fees	$1,988,100	$0	$1,988,100
Total	**$51,092,800**	**$25,527,590**	**$25,565,210**

Operating Budget Impact

Impact Pos/(Neg)	Total	FY 2021	FY 2022	FY 2023	FY 2024
Operating Income	$6,673,410	$1,619,130	$1,651,510	$1,684,540	$1,718,230
Operating Expenses	($2,937,500)	($702,140)	($723,210)	($744,900)	($767,250)
Non-Operating Expenses	($3,220,120)	($803,040)	($804,340)	($805,680)	($807,060)
Total	**$515,790**	**$113,950**	**$123,960**	**$133,960**	**$143,920**

Alexander House

Alexander House Apartments was constructed in 1992 and is located at 8560 Second Avenue, near the Silver Spring Metro Station. The property is a single sixteen story building with a three-level underground parking garage. The building contains 311 units (projected 305 units in future after renovation), 203 parking spaces, management offices, and maintenance and engineering rooms. The property also shares a common outdoor pool with Elizabeth House Apartments, the property adjacent to the north. There is a courtyard consisting of a concrete walkway, a playground, and landscaped gardens also located to the west behind the apartment building. The site area is 1.21 acres.

Alexander House will be part of a redevelopment plan to encompass an entire square block in downtown Silver Spring, Maryland, near the Silver Spring Metro Station and part of an Arts and Entertainment District. The site consists of three different parcels of land. HOC owns two existing parcels, the subject property and Elizabeth House Apartments. Lee Development Group, a private land owner, owns the third parcel of approximately 1 acre with 25,000 SF of office space. The parcels occupied by Lee Development Group and Elizabeth House Apartments will be redeveloped as Class A apartment buildings. The goal is to modernize Alexander House to bring the property to fit within the overall redevelopment plan.

The building offers studios, one bedroom and two bedroom units. Forty percent of the property is income restricted for households earning up to 60% of the Area Median Income. On July 23, 2015, the Montgomery County Planning Department approved the Administrative Site Plan Amendment that will incorporate necessary changes to enhance and support the Elizabeth Square redevelopment plan which includes major renovations at Alexander House. Renovations began in January 2017. The final development plan with a budget of $120 million was approved by the Commission on October 5, 2016. This plan includes the sale of 122 affordable

Capital Development Projects (cont.)

housing units to a LIHTC limited partnership with 183 units to be retained and offered as market rate units.

The Alexander House Apartments completed all unit renovations at the end of July 2018. Community and public use spaces are expected to be completed in November 2018. The unit count will decrease to 305 units upon completion of the renovation because Alexander House Apartments will have Public Use space. HOC will enter into a lease with a third party operator that will have a studio/exhibition studio that will assist experienced and emerging documentary filmmakers to make better, more professional looking films by giving them the understanding and tools to improve their skills at all stages of the filmmaking process.

The renovation work will be completed from the issuance of tax-exempt debt during the renovation and LIHTC proceeds from the syndication of low income housing tax credits for the affordable housing portion. Once completed and placed in service, the permanent loan will be funded from the Federal Financing Bank loan pursuant to the FHA Risk Share/Federal Financing Bank program.

The charts below depict the anticipated Expenditure and Funding Schedules as well as the anticipated impact on the Operating Budget.

Alexander House

Expenditure Schedule

Cost Element	Total	Through FY 2017	Estimated FY 2018	FY 2019	FY 2020
Acquisition Costs	$49,433,280	$38,866,470	$308,300	$10,258,510	$0
Rehab / Construction	$32,585,360	$9,019,000	$23,191,910	$374,450	$0
Commitment Fees to HOC	$1,309,760	$1,309,760	$0	$0	$0
Development Fees to HOC	$2,500,000	$505,840	$0	$505,840	$1,488,320
Tax-Exempt Bonds (ST)	$5,007,610	$0	$0	$0	$5,007,610
Fees / Misc. Expenses	$9,296,700	$2,790,900	$1,696,310	$1,688,960	$3,120,530
Total	**$100,132,710**	**$52,491,970**	**$25,196,520**	**$12,827,760**	**$9,616,460**

Funding Schedule

Funding Source	Total	Through FY 2017	Estimated FY 2018	FY 2019	FY 2020
Bond Financing	$65,488,080	$31,596,880	$21,530,950	$11,625,880	$734,370
Tax-Exempt Bonds (ST)	$5,007,610	$5,007,610	$0	$0	$0
Tax Credit Equity	$13,907,000	$1,668,840	$1,390,700	$3,476,750	$7,370,710
GP - Equity	$100	$0	$0	$0	$100
Interim Income	$697,420	$0	$0	$0	$697,420
Seller Note (Long)	$14,218,640	$14,218,640	$0	$0	$0
Deferred Development Fees	$813,860	$0	$0	$0	$813,860
Total	**$100,132,710**	**$52,491,970**	**$25,196,520**	**$12,827,760**	**$9,616,460**

Operating Budget Impact

Impact Pos/(Neg)	Total	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Operating Income	$4,494,530	$441,390	$561,220	$683,460	$808,130	$935,310	$1,065,020
Operating Expenses	($605,710)	$46,990	($9,860)	($68,420)	($128,730)	($190,850)	($254,840)
Non-Operating Expenses	($13,281,190)	($2,205,200)	($2,208,400)	($2,211,700)	($2,215,090)	($2,218,600)	($2,222,200)
Total	**($9,392,370)**	**($1,716,820)**	**($1,657,040)**	**($1,596,660)**	**($1,535,690)**	**($1,474,140)**	**($1,412,020)**

Capital Development Projects (cont.)

Arcola Towers

Arcola Towers is a senior housing apartment community (serves senior citizens >62 years of age) originally constructed in 1971 and located at 1135 University Blvd. West, near the intersection of University Boulevard West and Arcola Avenue in Silver Spring, Maryland. The 12-story building contains 141-units on 3.25 acres. The building unit mix is entirely 1 bedroom/1 bath.

Arcola Towers is a 40-50 year high rise structure that had received modest improvements since initial construction. During the third quarter of FY 2016, HOC commenced renovating the existing property to extend its useful life for at least another 36 years. The renovation included the replacement of windows, interior and exterior doors, HVAC systems, kitchen floor plan reconfiguration, and exterior facades. Interior work required replacement of kitchens and bathrooms (appliances, cabinets, fixtures, and finishes), flooring, and painting. The renovation was completed without relocating tenants from the building, with a phasing schedule based on vacant vertical tiers.

The renovation was funded from the proceeds of Low Income Housing Tax Credits of approximately $9.2 million, private activity, tax-exempt bonds of approximately $6.1 million, a seller note of approximately $11.5 million, County Capital Improvement Program (CIP) funds of $1.9 million, and federal funds of approximately $1.6 million. Of the total project costs, $13.1 million was budgeted for the acquisition of the Property. An additional $15.6 million funded renovation, financing, reserves and other soft costs, and approximately $1.9 million for commitment and development fees to HOC. Renovation began in the first half of FY 2016 and took place in and around both occupied and vacant units. The renovation reached substantial completion in April, 2017 with final closeout occurring in October, 2017. The building is at stabilized occupancy and all current development fees to HOC will be realized in FY2019.

Post conversion and closing, Arcola is now owned by a limited partnership in which HOC serves as the managing general partner. The improvements provide a standard of high quality, well designed, amenity rich, energy efficient affordable housing and strong supportive services for Montgomery County that is financially sustainable and competitive within the rental marketplace.

The RAD covenants will provide subsidy to 134 units or 95% of the units to households that do not exceed 60% AMI. At least 75% of the assisted units must serve families at or below 30% AMI. The remaining 7 units, or 5%, will all be restricted to households at or below 60% AMI.

It is anticipated that post-renovation the Arcola Towers utility costs and overall property maintenance costs will be reduced. The post-renovation annual net operating income for CY 2017 is anticipated to be approximately $700,650. The income at Arcola Towers is increased by 54% and the expenses are reduced by 18% with improvements to the physical systems and updated technology. The resulting property will be sustainable with increased reserves and routine capital expenditures. As a result, some of the Commission's most vulnerable residents will be assured of a safe, stable and desirable environment.

The charts on the following page depict the anticipated Expenditure and Funding Schedules as well as the anticipated impact on the Operating Budget.

Capital Development Projects (cont.)

Arcola Towers

Expenditure Schedule

Cost Element	Total	Through FY 2017	Estimated FY 2018	FY 2019
Acquisition Costs	$13,072,270	$13,072,270	$0	$0
Rehab / Construction	$11,613,510	$6,113,460	$5,500,050	$0
Commitment Fees to HOC	$261,450	$261,450	0	0
Development Fees to HOC	$1,623,890	$0	$1,573,890	$50,000
Non-Cash Development Fees to HOC	$316,610	$0	$0	$316,610
Fees / Misc. Expenses	$3,680,270	$1,629,250	$2,051,020	$0
Total	**$30,568,000**	**$21,076,430**	**$9,124,960**	**$366,610**

Funding Schedule

Funding Source	Total	Through FY 2017	Estimated FY 2018	FY 2019
Bond Financing	$6,116,780	$6,116,780	$0	$0
Tax Credit Equity	$9,174,960	$0	$9,124,960	$50,000
Federal CFP Funds	$1,613,320	$1,613,320	$0	$0
County CIP	$1,898,330	$1,898,330	$0	$0
HOC Equity/Seller's Note	$11,448,000	$11,448,000	$0	$0
Deferred Development Fees	$316,610	$0	$0	$316,610
Total	**$30,568,000**	**$21,076,430**	**$9,124,960**	**$366,610**

Operating Budget Impact

Impact Pos/(Neg)	Total	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024
Operating Income	$3,464,580	$335,320	$362,860	$389,990	$417,670	$445,910	$474,710	$504,080	$534,040
Operating Expenses	($275,410)	$59,120	$33,090	$7,460	($18,950)	($46,160)	($74,180)	($103,030)	($132,760)
Non-Operating Expenses	($3,606,790)	($443,690)	($445,680)	($447,640)	($449,660)	($451,750)	($453,890)	($456,100)	($458,380)
Total	**($417,620)**	**($49,250)**	**($49,730)**	**($50,190)**	**($50,940)**	**($52,000)**	**($53,360)**	**($55,050)**	**($57,100)**

Bauer Park Apartments

Bauer Park Apartments is a senior housing apartment community originally constructed in 1977 and located at 14639 Bauer Drive in Rockville. Bauer Park is a complex of three-story buildings across the street from Rock Creek Village Shopping Center and a County Community Center. The property has 142 efficiencies, one-bedroom and two-bedroom apartments.

The property currently receives subsidy via RAP contracts and interest reduction payments, and its construction was originally financed with Section 236 senior mortgages. RAP contracts for the property will discontinue at maturity of the properties' Section 236 senior mortgage set to occur in the second quarter of Calendar Year 2018. US Department of Housing and Urban Development ("HUD") offers the Second Component of its Rental Assistance Demonstration program (the "RAD Program") which presents Bauer Park with the opportunity to secure Project-based Section 8 subsidy providing for their rehabilitation and permanent financing.

Under the Second Component of RAD program, HOC plans to renovate the property to extend its useful life for at least another 36 years. The renovation will commence in FY 2019 and will include the replacement of windows, interior and exterior doors, HVAC systems, and exterior facades. Interior work will also include replacement of kitchens and bathrooms (appliances, cabinets, fixtures, and finishes), flooring, and painting.

The renovation will be funded from the proceeds of approximately $10.6 million Low Income Housing Tax Credit equity; private activity, tax-exempt bonds of approximately $19.1 million; and a seller note of

Capital Development Projects (cont.)

approximately $14.2 million. Of the total project costs, $18.8 million is budgeted for the acquisition of the Property. An additional $13.5 million will fund renovation, and the remaining $12.9 million will fund financing, reserves and other soft costs and development fees. Post conversion and closing, Bauer Park will be owned by a limited partnership in which HOC will service as the managing general partner.

Planned level of investment in the property is consistent with those of the ongoing and planned renovations of other HOC RAD conversion properties (Arcola Towers, Waverly House, Town Center Apartments). The property will see significant improvements to energy efficiency, the common areas and exterior grounds will be enhanced, and residents' units will be modernized. The planned improvements will provide a standard of high quality, well designed, amenity rich, energy efficient affordable housing and strong supportive services for Montgomery County that is financially sustainable and competitive within the rental marketplace.

The RAD covenants will provide subsidy to 130 units or 92% of the units to households that do not exceed 60% AMI. At least 75% of the assisted units must serve families at or below 30% AMI. The remaining 12 units will all be restricted to households at or below 60% AMI. It is anticipated that post-renovation the Bauer Park utility costs and overall property maintenance costs will be reduced.

The charts below depict the anticipated Expenditure and Funding Schedules as well as the anticipated impact on the Operating Budget.

Bauer Park Apartments

Expenditure Schedule

Cost Element	Total	FY 2019	FY 2020
Acquisition Costs	$18,785,000	$18,785,000	$0
Rehab / Construction	$13,492,830	$4,349,390	$9,143,440
Commitment Fees to HOC	$530,000	530,000	0
Development Fees to HOC	$1,500,000	300,000	1,200,000
Development Fees to Victory	$1,000,000	$200,000	$800,000
Fees / Misc. Expenses	$9,906,690	$9,906,690	$0
Total	**$45,214,520**	**$34,071,080**	**$11,143,440**

Funding Schedule

Funding Source	Total	FY 2019	FY 2020
Bond Financing	$19,089,000	$19,089,000	$0
Tax Credit Equity	$10,571,320	$0	$10,571,320
Seller Note	$14,230,860	$14,230,860	$0
Interim Income	$1,323,340	$751,220	$572,120
Total	**$45,214,520**	**$34,071,080**	**$11,143,440**

Operating Budget Impact

Impact Pos/(Neg)	Total	FY 2021	FY 2022	FY 2023	FY 2024
Operating Income	$4,230,670	$995,550	$1,036,410	$1,078,100	$1,120,610
Operating Expenses	($604,520)	($115,090)	($138,640)	($162,900)	($187,890)
Non-Operating Expenses	($3,103,970)	($774,750)	($775,560)	($776,400)	($777,260)
Total	**$522,180**	**$105,710**	**$122,210**	**$138,800**	**$155,460**

Capital Development Projects (cont.)

Deeply Affordable Units

Historically, this project was used to supplement the funds received from the Department of Housing and Urban Development (HUD) for improvements to our Public Housing stock. In 2014, HOC requested that the original project title, “Supplemental Funds for Public Housing Improvements”, be expanded to “Deeply Subsidized HOC Owned Unit Improvements” to allow the funds to be used on the Public Housing units both pre- and post- conversion.

The project was further expanded to allow the funds to be used on HOC and Affiliate Owned income-restricted scattered site units.

The Commission’s portfolio includes hundreds of income-restricted scattered site units throughout the County, most approximately 30 years of age. Many of these units were acquired into a Low Income Housing Tax Credit (“LIHTC”) limited partnership more than 15 years ago and are subject to continued affordability restrictions under the LIHTC program. In addition, there are limited partnerships that are expected to contribute units to HOC and, upon doing so, HOC becomes the sole owner of these units. Finally, other units are simply older Moderately Priced Dwelling Units (MPDUs) that continue to be restricted to low- and moderate-income households.

These units are in need of renovation in order to continue to serve eligible households. With significant debt remaining on these units, the net operating income from the affordably priced units cannot support both the repayment of that debt and the additional proceeds needed to complete a comprehensive scope of renovation which includes new windows, roof replacement, installation of energy-efficient heating and air conditioning systems, electrical and plumbing repairs, new flooring, new lighting, new cabinetry, installation of energy-efficient appliances, and new bathrooms.

The average cost for units requiring full interior and exterior renovations is approximately $60,000. Continued funding at the $1.25 million level will support an additional 20 plus units per year for FY’20-25.

The improvements will reduce maintenance costs and should reduce utility costs for residents as HOC does not pay utilities on any of these units. The units are in multiple entities and there should not be any impact on rents. Real Estate staff will be overseeing the projects utilizing these funds.

The charts below depict the anticipated Expenditure and Funding Schedules.

Deeply Affordable Units

Expenditure Schedule

Cost Element	Total	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Rehab / Construction	$7,500,000	$1,250,000	$1,250,000	$1,250,000	$1,250,000	$1,250,000	$1,250,000
Total	**$7,500,000**	**$1,250,000**	**$1,250,000**	**$1,250,000**	**$1,250,000**	**$1,250,000**	**$1,250,000**

Funding Schedule

Funding Source	Total	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
County CIP	$7,500,000	$1,250,000	$1,250,000	$1,250,000	$1,250,000	$1,250,000	$1,250,000
Total	**$7,500,000**	**$1,250,000**	**$1,250,000**	**$1,250,000**	**$1,250,000**	**$1,250,000**	**$1,250,000**

Capital Development Projects (cont.)

Elizabeth House III

Elizabeth House III will be the replacement building for the existing Elizabeth House and will be located on the site of the existing Fenwick Professional Park Office building which will be demolished. Elizabeth House III will house a mixed-income population and will have a combination of affordable and market rate units. The building has been designed to be 16 stories and to have government – owned/operated recreation and service facilities as interior public use spaces.

The site is located between Fenwick Lane and Apple Avenue, west of the intersection of Colesville Road and Georgia Avenue on the west side of Downtown Silver Spring in southeast Montgomery County, and is part of Elizabeth Square development which when completed will consist of the new Elizabeth House III senior housing building.

The new Elizabeth House will offer 267 units restricted to householders age 62 and older. It will include 106 deep subsidy senior RAD units to replace the existing Elizabeth House units, as well as 161 additional units that are age restricted but not subsidized. The amenity package will be extensive and include a public recreational indoor pool, community room, exercise room and several other activity areas. In addition, a provider will operate a Wellness Center to serve residents and the public. Market rate units are planned and will have a full appliance package including dishwashers, microwaves and washer and dryers.

The Maryland National Capital Parks and Planning Commission unanimously approved the detail site plan on December 7, 2017.

The plan approved a proposed mixed-use project consisting of three buildings: the new Elizabeth House III building (senior housing), the new Elizabeth House IV building (multifamily), and the renovated Alexander House. Elizabeth House III will be the first phase of new construction planned to begin in the first quarter of 2019 and be completed in 2022. Elizabeth IV is scheduled to start construction in 2023 with an estimated two year construction period.

Elizabeth Square will deliver a 90,000 square foot state of the art recreational and public use facility that will be the focal point of the square, representing a significant investment by HOC and the County inside the beltway, a mere walk from the Silver Spring Red Line Metro station.

The charts on the following page depict the anticipated Expenditure and Funding Schedules as well as the anticipated impact on the Operating Budget.

Capital Development Projects (cont.)

Elizabeth House III

Expenditure Schedule

Cost Element	Total	FY 2019	FY 2020	FY 2021	FY 2022
Acquisition Costs	$2,791,670	$2,791,670	$0	$0	$0
Rehab / Construction	$86,870,320	$25,241,300	$38,329,990	$23,299,030	$0
Commitment Fees to HOC	$674,370	$674,370	$0	$0	$0
Development Fees to HOC	$1,500,000	$300,000	$0	$1,000,000	$200,000
Non-Cash Development Fees to HOC	$3,000,000	$0	$0	$1,912,800	$1,087,200
Short-term Bonds	$15,622,390	$0	$0	$0	$15,622,390
Fees / Misc. Expenses	$13,683,100	$4,518,020	$2,877,550	$2,832,650	$3,454,880
Total	**$124,141,850**	**$33,525,360**	**$41,207,540**	**$29,044,480**	**$20,364,470**

Funding Schedule

Funding Source	Total	FY 2019	FY 2020	FY 2021	FY 2022
Bond Financing	$51,814,850	$17,747,630	$32,393,040	$1,674,180	$0
Tax Credit Equity	$16,088,780	$3,217,760	$0	$804,440	$12,066,580
Tax-Exempt Bonds (ST)	$15,622,390	$12,559,970	$1,862,570	$1,199,850	$0
County HIF	$7,000,000	$0	$6,951,930	$48,070	$0
HOC Equity	$30,615,830	$0	$0	$24,209,430	$6,406,400
Deferred Development Fees	$3,000,000	$0	$0	$1,108,510	$1,891,490
Total	**$124,141,850**	**$33,525,360**	**$41,207,540**	**$29,044,480**	**$20,364,470**

Operating Budget Impact

Impact Pos/(Neg)	Total	FY 2022	FY 2023	FY 2024
Operating Income	$13,688,130	$4,472,660	$4,562,110	$4,653,360
Operating Expenses	($4,656,160)	($1,506,410)	($1,551,600)	($1,598,150)
Non-Operating Expenses	($8,818,880)	($2,898,720)	($2,939,440)	($2,980,720)
Total	**$213,090**	**$67,530**	**$71,070**	**$74,490**

Georgian Court

Georgian Court was constructed in 1976 on 6.75 acres on the south side of Bel Pre Rd. near the intersection of Georgia Ave. The property contains a total of 147-units within 13 all-brick garden-style apartment structures ranging from 3-4 stories in height. Each unit has a fully-equipped kitchen. Property amenities include a tot lot, grilling stations, and walking paths. A community room/ leasing center is located at the entrance of the site. Staff is in the process of executing a Year 15 strategy of buying out the current Limited Partner, M&T.

Georgian Court has not undergone any major renovations within the last 10 years, other than capital replacements at failure and scheduled capital improvements. The scope of renovation includes: 55% - Interiors|10% - Exterior Enhancements|35% - Critical Systems; upgrading of interior kitchen and bathroom, including but not limited to energy efficient appliances, new cabinets, countertops, fixtures, flooring, painting, and lighting; replacement of in-unit HVAC units and central hot water heaters not yet replaced by scheduled capital improvements; opening up of kitchen into living/ dining area to create more modern layout; exterior enhancements to provide a cleaner and improved visual impact; replacement of roofs not yet replaced by scheduled capital improvements; and, creation of UFAS units to conform with LIHTC requirements.

These improvements will not only address curb appeal but also – and more importantly – increase energy efficiency and extend the Property's useful life.

The renovation is expected to be funded by an estimated $9.8 million tax-exempt bond financing

Capital Development Projects (cont.)

with a mortgage insured under the FHA Risk Sharing Program and estimated Low Income Housing Tax Credit $7.5 million (based on $1.00 per credit). Closing is expected mid-FY 2019 with an 18-month construction schedule.

The charts below depict the anticipated Expenditure and Funding Schedules as well as the anticipated impact on the Operating Budget.

Georgian Court

Expenditure Schedule

Cost Element	Total	CY 2019	CY 2020	CY 2021
Acquisition Costs	$11,492,560	$11,492,560	$0	$0
Rehab / Construction	$11,238,480	$5,619,240	$5,619,240	$0
Commitment Fees to HOC	$340,000	340,000	0	0
Development Fees to HOC	$2,500,000	500,000	497,550	1,502,450
Fees / Misc. Expenses	$12,391,490	$12,391,490	$0	$0
Total	**$37,962,530**	**$30,343,290**	**$6,116,790**	**$1,502,450**

Funding Schedule

Funding Source	Total	CY 2019	CY 2020	CY 2021
Bond Financing	$9,750,000	$9,750,000	$0	$0
Tax Credit Equity	$7,512,250	$233,010	$5,776,790	$1,502,450
Bank Loan	$9,512,780	$9,512,780	$0	$0
Seller Note	$10,847,500	$10,847,500	$0	$0
Interim Income	$340,000	$0	$340,000	$0
Total	**$37,962,530**	**$30,343,290**	**$6,116,790**	**$1,502,450**

Operating Budget Impact

Impact Pos/(Neg)	Total	CY 2021	CY 2022	CY 2023	CY 2024
Operating Income	($201,110)	($97,540)	($66,450)	($34,730)	($2,390)
Operating Expenses	($311,580)	($37,160)	($63,780)	($91,200)	($119,440)
Non-Operating Expenses	$486,060	$121,050	$121,350	$121,670	$121,990
Total	**($26,630)**	**($13,650)**	**($8,880)**	**($4,260)**	**$160**

Greenhills

Greenhills was constructed on 8.2 acres on the east side of Route 27 just south of downtown Damascus in 1984. Originally built as part of a larger condominium community, HOC purchased the residual 52 townhome and 26 apartment units in 11 buildings in 1998. The property restricts 55 units at 60% of AMI and 22 units are market units.

Given that Greenhills had not undergone any significant renovation since it was originally built 30 years ago, the Commission has approved a Redevelopment Plan that addresses curb appeal but also, and more importantly, increases energy efficiency. This will allow the property to continue to compete in the market and ensure that residents truly experience affordable living by lowering the monthly energy costs for their homes.

Renovations began October 2017 and include both interior and exterior unit upgrades including kitchen and bath finishes/fixtures, gutters, siding, windows, roofs, decks, energy efficient fixtures and lighting, and new HVAC units and water heaters. Additional site improvements are planned as well. Renovations are expected to be completed by November 2018.

The amended renovation plan is funded by the proceeds of private activity, tax-exempt bonds of approximately $12.0 million with a mortgage insured under the FHA Risk Sharing program; Low

Capital Development Projects (cont.)

Income Housing Tax Credits of $5.4 million; a seller's note of $7.5 million; and HOC equity of $300,000.

The charts below depict the anticipated Expenditure and Funding Schedules as well as the anticipated impact on the Operating Budget.

Greenhills

Expenditure Schedule

Cost Element	Total	Estimated FY 2018	FY 2019	FY 2020
Acquisition Costs	$12,437,500	$12,407,500	$30,000	$0
Rehab / Construction	$7,172,680	$5,023,400	$2,149,280	$0
Commitment Fees to HOC	$240,000	$240,000	$0	$0
Development Fees to HOC	$2,434,740	$486,950	$852,160	$1,095,630
Fees / Misc. Expenses	$3,033,540	$1,683,650	$615,410	$734,480
Total	**$25,318,460**	**$19,841,500**	**$3,646,850**	**$1,830,110**

Funding Schedule

Funding Source	Total	Estimated FY 2018	FY 2019	FY 2020
Bond Financing	$12,000,000	$11,024,200	$975,800	$0
Tax Credit Equity	$5,495,200	$1,099,040	$852,160	$3,544,000
HOC - Bridge Loan	$0	$0	$1,713,890	($1,713,890)
HOC - Equity ($195.1K) & GP Equity ($105)	$300,100	$195,100	$105,000	$0
Seller Note	$7,523,160	$7,523,160	$0	$0
Total	**$25,318,460**	**$19,841,500**	**$3,646,850**	**$1,830,110**

Operating Budget Impact

Impact Pos/(Neg)	Total	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Operating Income	$881,940	$124,770	$150,070	$175,870	$202,190	$229,040
Operating Expenses	($234,670)	($18,520)	($32,300)	($46,510)	($61,140)	($76,200)
Non-Operating Expenses	($1,462,730)	($290,860)	($291,680)	($292,520)	($293,390)	($294,280)
Total	**($815,460)**	**($184,610)**	**($173,910)**	**($163,160)**	**($152,340)**	**($141,440)**

The Lindley (CCL)

The proposed, newly constructed Chevy Chase Lake multifamily building is a mixed-income community currently being developed on the western portion of the former Chevy Chase Lake Apartment site. The previous property consisted of 68 units in 5 garden style apartment buildings, originally built in the 1970s. Considering the units were functionally obsolete and lacked modern amenities, the Commission approved redevelopment of the site. A portion of the land was sold to Eakin-Youngentob and Associated (EYA) for the development of 62 townhomes, and the remaining portion of the site will be an 11-story structure with 200 units that include affordable housing, workforce housing, and market rate units. Plans also include an underground garage and a walkway that connects the neighborhood park with the future site of the Purple Line Metro station.

Construction financing closed in FY 2017 with construction starting November 2016. Delivery of the finished units is scheduled to begin October 2018. The construction activities are funded by United Bank. HOC and private equity will complete

Capital Development Projects (cont.)

the remaining construction funding with the permanent loan funded from a 100% participation loan from the Federal Financing Bank pursuant to the FHA Risk Share/Federal Financing Bank loan program.

The charts below depict the anticipated Expenditure and Funding Schedules as well as the anticipated impact on the Operating Budget.

The Lindley (CCL)

Expenditure Schedule

Cost Element	Total	Through FY 2017	Estimated FY 2018	FY 2019
Acquisition Costs	$1,444,240	$1,444,240	$0	$0
Rehab / Construction	$60,881,320	$5,503,690	$28,815,720	$26,561,910
Capital Reimbursement	$249,160	$249,160	$0	$0
Fees / Misc. Expenses	$11,443,030	$4,989,560	$2,160,580	$4,292,890
Total	**$74,017,750**	**$12,186,650**	**$30,976,300**	**$30,854,800**

Funding Schedule

Funding Source	Total	Through FY 2017	Estimated FY 2018	FY 2019
Bank Loan	$53,730,000	$0	$22,875,200	$30,854,800
HOC Equity (Soft Loan)	$10,143,820	$6,087,100	$4,056,720	$0
Partner Equity	$10,143,930	$6,099,550	$4,044,380	$0
Total	**$74,017,750**	**$12,186,650**	**$30,976,300**	**$30,854,800**

Operating Budget Impact

Impact Pos/(Neg)	Total	CY 2019	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024
Operating Income	$35,196,990	$4,686,230	$5,809,920	$5,966,900	$6,121,780	$6,243,840	$6,368,320
Operating Expenses	($9,127,010)	($1,464,730)	($1,407,120)	($1,486,120)	($1,537,110)	($1,589,050)	($1,642,880)
Non-Operating Expenses	($20,101,400)	($958,060)	($3,831,450)	($3,830,130)	($3,828,740)	($3,827,280)	($3,825,740)
Total	**$5,968,580**	**$2,263,440**	**$571,350**	**$650,650**	**$755,930**	**$827,510**	**$899,700**

Shady Grove

Shady Grove was constructed in 1980 on two parcels totaling 11.87 acres (per assessment record) on the east and west side of Crabbs Branch Road, just east of the Shady Grove Metro Station. All of the 144 units at the garden-style multifamily community are assisted by a Project Based Section 8 contract. Property amenities include two (2) laundry rooms, two (2) playgrounds, walking paths, substantial private outdoor space and adjacent bus service. A community room and leasing center are located on-site. Units are outfitted with the typical amenities, all of which would be upgraded during the renovation. Two (2) roof replacements and replacement of all windows were completed within the last five (5) years. Less than five (5) of the central hot water heaters have been replaced as well.

With the exception of the replacement of windows, Shady Grove has not undergone any major renovations within the last 10 years, other than capital replacements at failure and scheduled capital improvements. Staff has developed a renovation scope that includes the following: upgrading of interior kitchen and bathroom, including but not limited to energy efficient appliances, new cabinets, countertops, fixtures, flooring, painting, and lighting; replacement of in-unit HVAC units and central hot water heaters not yet replaced by scheduled capital improvements; opening up of kitchen into living/

Capital Development Projects (cont.)

dining area to create more modern layout; exterior enhancements to provide a cleaner and improved visual impact; replacement of roofs not yet replaced by scheduled capital improvements; and, creation of UFAS units to conform with LIHTC requirements.

These improvements will not only address curb appeal but also – and more importantly – increase energy efficiency and extend the Properties' useful life.

The renovation is expected to be funded by an estimated $13.9 million tax-exempt bond financing with a mortgage insured under the FHA Risk Sharing Program and an estimated Low Income Housing Tax Credit of $7.7 million (based on $1.00 per credit). Closing is expected mid-FY 2019 with an 18-month construction schedule.

The charts below depict the anticipated Expenditure and Funding Schedules as well as the anticipated impact on the Operating Budget.

Shady Grove Apartments

Expenditure Schedule

Cost Element	Total	FY 2019	FY 2020	FY 2021
Acquisition Costs	$15,033,910	$15,033,910	$0	$0
Rehab / Construction	$11,040,480	$5,520,240	$5,520,240	$0
Commitment Fees to HOC	$450,000	450,000	0	0
Development Fees to HOC	$2,500,000	500,000	453,900	1,546,100
Fees / Misc. Expenses	$12,503,300	$12,503,300	$0	$0
Total	**$41,527,690**	**$34,007,450**	**$5,974,140**	**$1,546,100**

Funding Schedule

Funding Source	Total	FY 2019	FY 2020	FY 2021
Bond Financing	$13,925,000	$13,925,000	$0	$0
Tax Credit Equity	$7,730,490	$660,250	$5,524,140	$1,546,100
Bank Loan	$9,348,380	$9,348,380	$0	$0
Seller Note	$10,073,820	$10,073,820	$0	$0
Interim Income	$450,000	$0	$450,000	$0
Total	**$41,527,690**	**$34,007,450**	**$5,974,140**	**$1,546,100**

Operating Budget Impact

Impact Pos/(Neg)	Total	CY 2021	CY 2022	CY 2023	CY 2024
Operating Income	($120,650)	($91,970)	($51,310)	($9,840)	$32,470
Operating Expenses	($89,070)	$24,060	($6,210)	($37,400)	($69,520)
Non-Operating Expenses	($249,100)	($62,990)	($62,530)	($62,040)	($61,540)
Total	**($458,820)**	**($130,900)**	**($120,050)**	**($109,280)**	**($98,590)**

Stewartown

Stewartown consists of 14 garden-townhome buildings totaling 94 units. The mix includes 14 – 2 bedroom 1 baths (854 square feet), 66 – 3 bedroom 2 baths (948 square feet) and 14 – 4 bedroom 2 baths (1,200 square feet). All 94 units have numbered parking spaces which provided one space per unit, 56 reserved parking spaces, 32 visitor parking spaces and 1 handicap parking space. A/C, heat and individual hot water heaters are provided for each unit. The units have wall to wall carpet, vinyl tiles, vertical blinds, kitchens with oak wood cabinets and appliances including a dishwasher, refrigerator, range stove and a stacked washer/dryer. A community center is located on site that includes a computer lab and activity rooms for all residents, children's afterschool programs and summer camp programs, a playground and a picnic spot. The property has density for 12 units that cannot be accommodated on existing site.

Originally built in 1977, Stewartown is located in

Capital Development Projects (cont.)

Montgomery County, near Montgomery Village (exit 11 off Interstate 270 to Route 124). The property is in the unincorporated Montgomery County adjacent to Montgomery Village and is 5 minutes from Lake Forest Mall, The ICC, Route 355 and I-270. Extensive interior and exterior renovations were completed in 2001. The Property is owned by MV Affordable Housing Associates Limited Partnership and management by Edgewood Management Corporation. Kitchen and bathroom cabinets and counter tops, appliances, washer/dryer, water heater, HVAC unit, carpet and tile floors were replaced in each unit during renovation as well as the outside vinyl skin. Property Signs and landscape were renovated; leasing, community programs and the community room were renovated as well.

The property was financed under HUD 236 program with the subsidy expiring in 2017; however, none of the subsidy can be extended or renewed in its present form. 100% of the units are equal or less than 60% of the Area Median Income ("AMI"); 9 units occupied for tenants whose income is 50% and equal or less than 60% of the AMI; and 3 units occupied for tenants whose income is equal or less than 50% of the AMI.

A Renovation Plan is currently under review for Stewartown to include financing under Component Two of the RAD ("Rental Assistance Demonstration") program. RAD for "Orphan Programs" (Component Two) is a subsidy program that funds to full HOC voucher payment standard. Under this program, any residents that are over-income at the time of conversion do not receive continued assistance. There are several key differences in HOC's proposed participation in Component Two of the RAD program from its participation in the part of RAD program designed for conversion from Public Housing. First, the subsidy received by these properties post-conversion will dramatically increase. This will make for a greater likelihood of the financial viability of required renovations or redevelopment. Second, as HOC is only the general partner in Stewartown Homes, it will ultimately require some approvals from the limited partner tax-credit investor. Lastly, over-income residents (earning greater than 80% of Area Median Income ("AMI")) will not receive continued rental assistance. Depending on the construction financing funding the delivery of the new or renovated housing, those residents may ultimately be required to move.

The charts below and on the next page depict the anticipated Expenditure and Funding Schedules as well as the anticipated impact on the Operating Budget.

Stewartown Homes

Expenditure Schedule

Cost Element	Total	CY 2019	CY 2020	CY 2021
Acquisition Costs	$10,091,780	$10,091,780	$0	$0
Rehab / Construction	$8,359,700	$4,179,850	$4,179,850	$0
Commitment Fees to HOC	$212,960	$212,960	$0	$0
Development Fees to HOC	$2,312,310	$462,460	$1,156,160	$693,690
Short-term Bonds	$3,915,660	$3,915,660	$0	$0
Fees / Misc. Expenses	$1,659,870	$1,659,870	$0	$0
Total	**$26,552,280**	**$20,522,580**	**$5,336,010**	**$693,690**

Funding Schedule

Funding Source	Total	CY 2019	CY 2020	CY 2021
Bond Financing	$10,647,940	$9,586,970	$1,060,970	$0
Tax Credit Equity	$5,845,570	$876,840	$4,275,040	$693,690
Seller Note	$9,058,770	$9,058,770	$0	$0
Deferred Development Fees	$1,000,000	$1,000,000	$0	$0
Total	**$26,552,280**	**$20,522,580**	**$5,336,010**	**$693,690**

Capital Development Projects (cont.)

Operating Budget Impact

Impact Pos/(Neg)	Total	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024
Operating Income	642,170	$71,520	$99,420	$127,870	$156,880	$186,480
Operating Expenses	368,850	$115,470	$95,230	$74,400	$52,930	$30,820
Non-Operating Expenses	195,790	$39,160	$39,160	$39,150	$39,160	$39,160
Total	**$1,206,810**	**$226,150**	**$233,810**	**$241,420**	**$248,970**	**$256,460**

Upton II

HOC at the Upton II, LLC, will be an affiliate of HOC and the project is being developed by HOC and Victory Housing, Inc. (VHI) in collaboration with Duball, LLC. Duball will serve as the Project's master developer. HOC and VHI will be co-general partners and, as the sponsors, will submit an application for Low Income Housing Tax Credits. Equity raised from the syndication of the LIHTCs is expected to provide more than a quarter of the total funding for the Project. VHI is a Montgomery County-based non-profit with decades of experience in the development and operation of affordable senior housing.

The Upton II will contain 150 rent- and income-restricted apartments: 31 units will serve households with incomes at or below 80% Area Median Income ("AMI"), 88 units will serve households with incomes at or below 60% AMI, and 31 units will serve households with incomes at or below 40% AMI. Approximately 112 units will be subsidized via a project-based Section 8 Housing Assistance Payment contract.

The Project will replace HOC's existing Town Center Apartments age-restricted, affordable rental building located two blocks to the south of the site. Town Center Apartments includes 112 affordable senior apartments whose occupants will relocate to the Project upon delivery; therefore, limiting the lease-up risk of the Project to the 38 market rate units.

HOC anticipates a $30.6 million acquisition and construction loan (62% of project costs). Loan proceeds will be paired with the HOC's $13.7 million equity investment (28% of project costs) of which approximately $9.6 million will be LIHTC equity and $4.1 million of HOC equity (source to be determined), and $5 million County subordinate cash-flow loan (10% of project costs) to develop a $49.3 million, age-restricted apartment building ("Project") within Rockville Town Center Phase II ("Phase II"). The Project is fully entitled; and land and loan closing are expected to occur in December 2018.

The charts below and on the next page depict the anticipated Expenditure and Funding Schedules as well as the anticipated impact on the Operating Budget.

Upton - Phase II

Expenditure Schedule

Cost Element	Total	FY 2019	FY 2020	FY 2021
Acquisition Costs	$6,353,000	$6,353,000	$0	$0
Rehab / Construction	$33,504,720	$8,376,180	$16,752,360	$8,376,180
Commitment Fees to HOC	$600,000	$600,000	$0	$0
Development Fees to HOC	$1,500,000	$300,000	$900,000	$300,000
Development Fees to Victory	$1,000,000	$200,000	$600,000	$200,000
Fees / Misc. Expenses	$6,382,190	$6,382,190	$0	$0
Total	**$49,339,910**	**$22,211,370**	**$18,252,360**	**$8,876,180**

Funding Schedule

Funding Source	Total	FY 2019	FY 2020	FY 2021
Bond Financing	$30,642,300	$22,211,370	$8,430,930	$0
Tax Credit Equity	$9,592,270	$0	$716,090	$8,876,180
County HIF	$5,000,000	$0	$5,000,000	$0
HOC Loan (OHRF)	$4,105,340	$0	$4,105,340	$0
Total	**$49,339,910**	**$22,211,370**	**$18,252,360**	**$8,876,180**

Capital Development Projects (cont.)

Operating Budget Impact

Impact Pos/(Neg)		FY 2023	FY 2024
Operating Income	$5,281,050	$2,617,620	$2,663,430
Operating Expenses	($1,874,350)	($923,330)	($951,020)
Non-Operating Expenses	($2,823,840)	($1,411,920)	($1,411,920)
Total	**$582,860**	**$282,370**	**$300,490**

Waverly House

Waverly House is a senior housing apartment community (serves senior citizens >62 years of age), placed into service in 1978 and located at 4521 East West Highway, near the intersection of East-West Highway and Wisconsin Avenue in Bethesda, Maryland. The 0.74-acre property is improved with a 15-story building of 157 units in which 149 are one -bedroom units and 8 two-bedroom units with one currently used for the live-in maintenance staff.

Waverly House is a 40 year old high rise structure that has received modest improvements since initial construction. HOC commenced renovating the existing property to extend its useful life for at least another 36 years. The renovation entailed the replacement of windows, interior and exterior doors, HVAC systems, kitchen floor plan reconfiguration, and exterior facades. Interior work will require replacement of kitchens and bathrooms (appliances, cabinets, fixtures, and finishes), flooring, and painting. The renovation is being completed without relocating tenants from the building, with a phasing schedule based on vacant vertical tiers.

The renovation plan was funded from the proceeds of Low Income Housing Tax Credits of approximately $14.6 million, private activity, tax-exempt bonds of approximately $8.4 million, a seller note of approximately $23.0 million, and federal funds of approximately $1.5 million. Of the total project costs, $27.6 million is budgeted for the acquisition of the Property. An additional $17.8 million will fund renovation, financing, reserves and other soft costs, and approximately $2.5 million for commitment and development fees to HOC. During the third quarter of FY 16, the renovation began and will take place in and around both occupied and vacant units. The renovation reached substantial completion in October, 2017 with final closeout occurring in March, 2018. The building is at stabilized occupancy and all current development fees to HOC will be realized by FY2020.

Post conversion and closing, Waverly is now owned by a limited partnership in which HOC serves as the managing general partner. The improvements provide a standard of high quality, well designed, amenity rich, energy efficient affordable housing and strong supportive services for Montgomery County that is financially sustainable and competitive within the rental marketplace.

The RAD covenants provide subsidy to 150 units or 96% of the units to households that do not exceed 60% AMI. At least 75% of the assisted units must serve families at or below 30% AMI. The remaining 7 units, or 4%, will also be restricted to households at or below 60% AMI.

The charts on the next page depict the anticipated Expenditure and Funding Schedules as well as the anticipated impact on the Operating Budget.

Waverly House

Expenditure Schedule

Cost Element	Total	Through FY 2017	Estimated FY 2018	FY 2019
Acquisition Costs	$27,637,050	$27,637,050	$0	$0
Rehab / Construction	$13,901,310	$3,767,880	$10,133,430	$0
Commitment Fees to HOC	$446,110	$446,110	$0	$0
Development Fees to HOC	$2,068,750	$413,750	$1,499,850	$155,150
Non-Cash Development Fees to HOC	$431,250	$0	$0	$431,250
Fees / Misc. Expenses	$3,459,910	$1,875,970	$1,583,940	$0
Total	**$47,944,380**	**$34,140,760**	**$13,217,220**	**$586,400**

Funding Schedule

Funding Source	Total	Through FY 2017	Estimated FY 2018	FY 2019
Bond Financing	$8,425,490	$8,425,490	$0	$0
Tax Credit Equity	$14,631,000	$1,463,100	$13,167,900	$0
Federal CFP Funds	$1,501,690	$1,297,220	$49,320	$155,150
HOC Equity/Seller's Note	$22,954,950	$22,954,950	$0	$0
Deferred Development Fees	$431,250	$0	$0	$431,250
Total	**$47,944,380**	**$34,140,760**	**$13,217,220**	**$586,400**

Operating Budget Impact

Impact Pos/(Neg)	Total	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024
Operating Income	$4,381,710	$435,820	$467,020	$498,190	$529,980	$562,400	$595,470	$629,210	$663,620
Operating Expenses	$220,130	$123,930	$97,110	$70,680	$43,460	$15,430	($13,450)	($43,200)	($73,830)
Non-Operating Expenses	($4,817,640)	($594,400)	($596,440)	($598,620)	($600,870)	($603,180)	($605,560)	($608,020)	($610,550)
Total	**($215,800)**	**($34,650)**	**($32,310)**	**($29,750)**	**($27,430)**	**($25,350)**	**($23,540)**	**($22,010)**	**($20,760)**

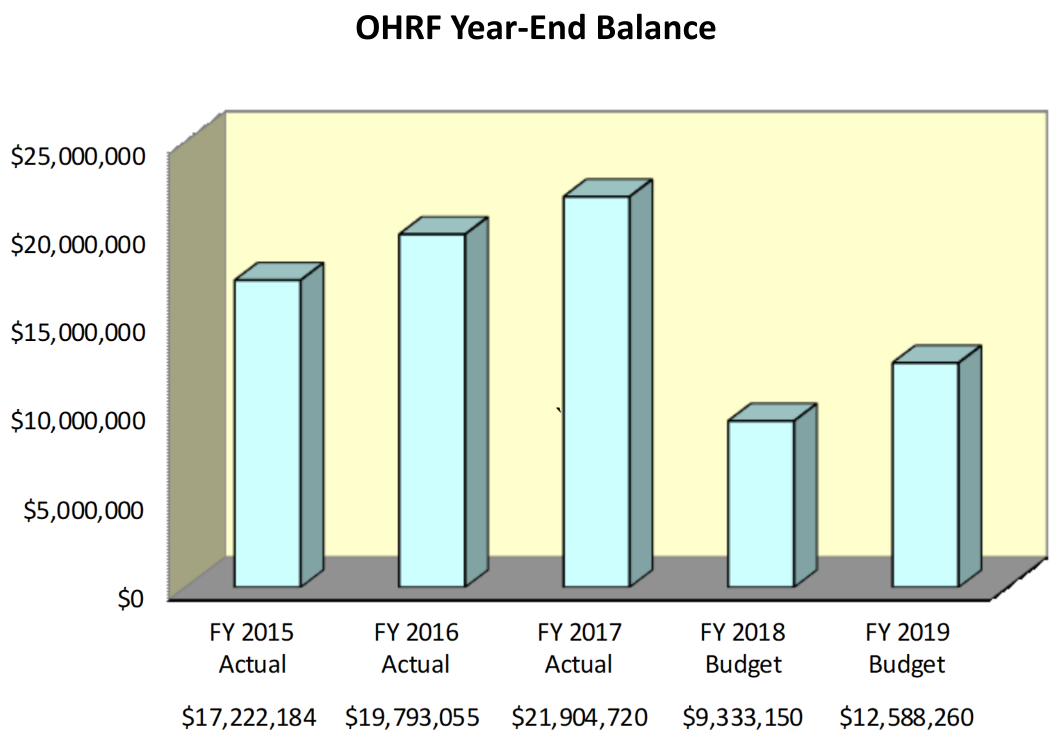
Opportunity Housing Reserve Fund (OHRF)

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 2019 Adopted Budget projects a net increase in the OHRF of $ $3.6 million resulting in a year-end balance of $12.59 million.



Opportunity Housing Reserve Fund (OHRF)

Source of Capital	Total
Cash Balance as of 6/30/17	**$21,904,720**
Source of Funds (FY 2018)	
Bank Interest Income	$310
Woodfield Commitment Fee (60% of $105,000)	$63,000
Woodfield Development Fee (60% of $26,250)	$15,750
Pomander Commitment fee (60% $73,282.44)	$43,970
Timberlawn Commitment fee (60% of $326,717.56)	$196,030
Greenhills Pre Development Expenses Reimbursement	$209,070
Greenhills Development Fee (60% of $486,949)	$292,170
Greenhills Commitment Fee (60% of $240,000)	$144,000
Equity from Sale from Greenhills	$508,210
Miscellaneous Income / Per Court Order	$21,680
Budgeted Commitment Fees (60% of Total)	$1,294,640
Fees Received through 12-31-17	($447,000)
Revise Timing of FY 2018 Commitment Fees	($690,020)
Budgeted Development Fees (60% of Total)	$2,747,750
Fees Received through 12-31-17	($307,920)
Revise Timing of FY 2018 Development Fees	($595,590)
SUBTOTAL	**$3,496,050**
Use of Funds (FY 2018)	
Administrative Expenses 1 Quarter FY 2018	($158,400)
Administrative Expenses 3rd & 4th Quarter FY 2017	($373,250)
Unsecured Loan to Woodfield Commons Dev	($350,000)
Reimburse GF for EH III Predevelopment Expenses 01-09/2017	($2,026,310)
Reimburse GF for EH IV Predevelopment Expenses 01-09/2017	($347,450)
Reimburse GF for 900 Thayer Predevelopment Expenses 05-09/2017	($544,060)
Reimburse GF for SCRRAC Predevelopment Expenses 01-09/2017	($1,581,640)
Reimburse GF for Greenhills Predevelopment Expenses 04-08/2017	($61,230)
Personnel Expenses (Real Estate Division)	($816,020)
Pre-Development Fund (Real Estate Division)	($200,000)
SUBTOTAL	**($6,458,360)**
Current Obligations	
SUBTOTAL	**($9,609,260)**
Projected Cash Balance as of 6/30/18	**$9,333,150**
Source of Funds (FY 2019)	
Budgeted Development Fees (60% of Total)	$2,591,530
Budgeted Commitment Fees (60% of Total)	$2,110,400
SUBTOTAL	**$4,701,930**
Use of Funds (FY 2019)	
Personnel Expenses (Real Estate Division)	($1,246,820)
Pre-Development Fund (Real Estate Division)	($200,000)
SUBTOTAL	**($1,446,820)**
Projected Cash Balance as of 6/30/19	**$12,588,260**

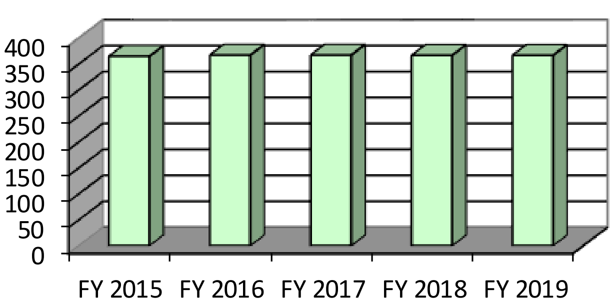
Section 4:
PERSONNEL
Tab

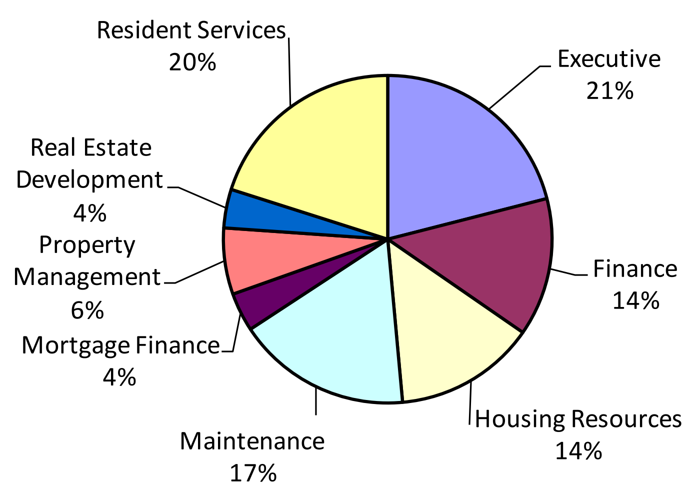
Personnel Assumptions

Personnel Complement

HOC began a comprehensive Agency re-organization in August 2012. The Maintenance Division was bifurcated from Property Management beginning in FY 2016. This change was completed in FY 2017. The FY 2019 Adopted Budget reflects the ongoing impacts of the Agency re-organization and includes a total of 366.6 work years. Positions have been reassigned between divisions as functions were realigned.

Divisions Full Time Equivalent (FTE)	Actual FY 2015	Actual FY 2016	Amended FY 2017	Amended FY 2018	Adopted FY 2019	% Change
Executive	60.00	78.00	79.00	77.00	77.00	0.00%
Finance	49.00	54.00	50.00	50.00	50.00	0.00%
Housing Resources	55.00	55.00	52.00	51.00	51.00	0.00%
Maintenance	0.00	8.00	64.00	63.00	63.00	0.00%
Mortgage Finance	13.50	14.00	14.00	14.00	14.00	0.00%
Property Management	94.00	78.00	26.00	24.00	24.00	0.00%
Real Estate Development	11.00	12.00	13.00	14.00	14.00	0.00%
Resident Services	82.20	68.10	69.10	73.60	73.60	0.00%
Total	**364.70**	**367.10**	**367.10**	**366.60**	**366.60**	**0.00%**





Compensation

FY 2015 General Salary Schedule

The General Salary Schedules, which are used to determine pay for all Career and Term positions was increased by a 1.95% Cost of Living Adjustment, effective July 1, 2018. All salary schedules are located at the end of this section.

Maintenance On-Call

The Weekday On-call Rate is $40.00 per day (Monday through Friday). The On-Call Rate for Saturdays, Sundays, and holidays is $50.00 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 $1.15 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.

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	54.5 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 54.5 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 $1,000 annually for automobile insurance and regularly scheduled maintenance.

Meal Allowance

The Meal Allowance rate for FY 2019 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 a full-time employee is $1,830 and for a part-time employee is $915 for FY 2019.

Fitness Reimbursement

The annual Fitness Reimbursement for employees toward the cost of membership in a health club, exercise or weight management program is $200.00.

2019 Pay Grade Schedule—Represented Employees

Annual Salary

Pay Grade	Minimum	Maximum	Longevity *
Grade 8	$29,597	$47,719	$49,150
Grade 9	$30,766	$49,902	$51,399
Grade 10	$32,002	$52,259	$53,827
Grade 11	$33,293	$54,717	$56,358
Grade 12	$34,643	$57,304	$59,023
Grade 13	$36,071	$60,019	$61,819
Grade 14	$37,570	$62,878	$64,764
Grade 15	$39,139	$65,867	$67,843
Grade 16	$40,810	$69,014	$71,085
Grade 17	$42,661	$72,316	$74,486
Grade 18	$44,616	$75,788	$78,061
Grade 19	$46,722	$79,424	$81,807
Grade 20	$48,919	$83,246	$85,744
Grade 21	$51,239	$87,259	$89,877
Grade 22	$53,662	$91,476	$94,220
Grade 23	$56,217	$95,907	$98,784
Grade 24	$58,892	$100,548	$103,565
Grade 25	$61,701	$105,429	$108,592

Hourly Wages

Pay Grade	Minimum	Maximum	Longevity *
Grade 8 Hourly	$14.23	$22.94	$23.63
Grade 9 Hourly	$14.79	$23.99	$24.71
Grade 10 Hourly	$15.39	$25.12	$25.88
Grade 11 Hourly	$16.01	$26.31	$27.10
Grade 12 Hourly	$16.66	$27.55	$28.38
Grade 13 Hourly	$17.34	$28.86	$29.72
Grade 14 Hourly	$18.06	$30.23	$31.14
Grade 15 Hourly	$18.82	$31.67	$32.62
Grade 16 Hourly	$19.62	$33.18	$34.18
Grade 17 Hourly	$20.51	$34.77	$35.81
Grade 18 Hourly	$21.45	$36.44	$37.53
Grade 19 Hourly	$22.46	$38.18	$39.33
Grade 20 Hourly	$23.52	$40.02	$41.22
Grade 21 Hourly	$24.63	$41.95	$43.21
Grade 22 Hourly	$25.80	$43.98	$45.30
Grade 23 Hourly	$27.03	$46.11	$47.49
Grade 24 Hourly	$28.31	$48.34	$49.79
Grade 25 Hourly	$29.66	$50.69	$52.21

* 20 Years Completed Service and at Maximum of Pay Grade

2019 Pay Grade Schedule—Unrepresented Employees

Annual Salary

Pay Grade	Minimum	Maximum	Longevity *
Grade 8	$29,597	$47,719	$49,150
Grade 9	$30,766	$49,902	$51,399
Grade 10	$32,002	$52,259	$53,827
Grade 11	$33,293	$54,717	$56,358
Grade 12	$34,643	$57,304	$59,023
Grade 13	$36,071	$60,019	$61,819
Grade 14	$37,570	$62,878	$64,764
Grade 15	$39,139	$65,867	$67,843
Grade 16	$40,810	$69,014	$71,085
Grade 17	$42,661	$72,316	$74,486
Grade 18	$44,616	$75,788	$78,061
Grade 19	$46,722	$79,424	$81,807
Grade 20	$48,919	$83,246	$85,744
Grade 21	$51,239	$87,259	$89,877
Grade 22	$53,662	$91,476	$94,220
Grade 23	$56,217	$95,907	$98,784
Grade 24	$58,892	$100,548	$103,565
Grade 25	$61,701	$105,429	$108,592
Grade 26	$64,659	$110,554	$113,870
Grade 27	$67,733	$115,937	$119,415
Grade 28	$70,359	$121,586	$125,232
Grade 29	$73,968	$127,515	$131,341
Grade 30	$77,326	$133,751	$137,764
Grade 31	$80,848	$140,291	$144,500
Grade 32	$84,546	$144,584	$148,921
Grade 33	$88,427	$148,882	$153,348
Grade 34	$92,504	$153,180	$157,775
Grade 35	$96,792	$157,474	$162,198
Grade 36	$101,291	$161,775	$166,628
Grade 37	$106,009	$166,064	$171,046

Hourly Wages

Pay Grade	Minimum	Maximum	Longevity *
Grade 8 Hourly	$14.23	$22.94	$23.63
Grade 9 Hourly	$14.79	$23.99	$24.71
Grade 10 Hourly	$15.39	$25.12	$25.88
Grade 11 Hourly	$16.01	$26.31	$27.10
Grade 12 Hourly	$16.66	$27.55	$28.38
Grade 13 Hourly	$17.34	$28.86	$29.72
Grade 14 Hourly	$18.06	$30.23	$31.14
Grade 15 Hourly	$18.82	$31.67	$32.62
Grade 16 Hourly	$19.62	$33.18	$34.18
Grade 17 Hourly	$20.51	$34.77	$35.81
Grade 18 Hourly	$21.45	$36.44	$37.53
Grade 19 Hourly	$22.46	$38.18	$39.33
Grade 20 Hourly	$23.52	$40.02	$41.22
Grade 21 Hourly	$24.63	$41.95	$43.21
Grade 22 Hourly	$25.80	$43.98	$45.30
Grade 23 Hourly	$27.03	$46.11	$47.49
Grade 24 Hourly	$28.31	$48.34	$49.79
Grade 25 Hourly	$29.66	$50.69	$52.21
Grade 26 Hourly	$31.09	$53.15	$54.75
Grade 27 Hourly	$32.56	$55.74	$57.41
Grade 28 Hourly	$33.83	$58.45	$60.21
Grade 29 Hourly	$35.56	$61.31	$63.14
Grade 30 Hourly	$37.18	$64.30	$66.23
Grade 31 Hourly	$38.87	$67.45	$69.47
Grade 32 Hourly	$40.65	$69.51	$71.60
Grade 33 Hourly	$42.51	$71.58	$73.73
Grade 34 Hourly	$44.47	$73.64	$75.85
Grade 35 Hourly	$46.53	$75.71	$77.98
Grade 36 Hourly	$48.70	$77.78	$80.11
Grade 37 Hourly	$50.97	$79.84	$82.23

* 20 Years Completed Service and at Maximum of Pay Grade

2019 Pay Grade Schedule—Executive Leadership Service

Pay Grade	Minimum	Maximum
EX-01	$127,725	$185,782
EX-02	$145,143	$203,200

Section 5:
APPENDIX
Tab

Housing Opportunities Commission
OF MONTGOMERY COUNTY

Program History

Program History

Legislative History

1939
- Maryland State law authorizes Housing Authorities

1966
- The Montgomery County Council establishes the Housing Authority of Montgomery County (HAMC)

1967
- HAMC conducts study of affordable housing needs
- HAMC recommends a range of housing objectives beyond constructing federally funded public housing

1968
- HAMC seperates from the County Government

1974
- Legislation establishes a broader housing mission for Montgomery County
- HAMC restructures into The Housing Opportunities Commission of Montgomery County (HOC)

Forty-four 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

<u>Moderately Priced Dwelling Units (MPDUs):</u> 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.

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

<u>Tenant Displacement</u>: 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.

<u>Growth Policy</u>: 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 Affordable Housing Investment Initiatives

The arrival of the 21st 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 affected a wide range of service agencies, including HOC. Unemployment rose following the Great Recession, and reached 10% at one point 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 funding under increasing annual scrutiny, HOC is renewing its effort to mHOC, as the county's designated Public Housing Authority and Housing Finance Agency, works to maximize public benefit by delivering the highest quality, amenity-rich affordable housing options to eligible individuals and families in Montgomery County. In furtherance of this mission, HOC has embarked on a monumental recapitalization effort to preserve its entire former public housing portfolio. In the absence of this investment, Montgomery County very likely would have begun to lose important deeply affordable assets to disrepair and an overwhelming backlog of capital needs - as has been the national story.

In 2012, Congress and the U.S. Department of Housing and Urban development (HUD) made available a new tool called the Rental Assistance Demonstration (RAD) program. This opportunity, thus far, is only available to 185,000 units across the country - which represents only slightly more than 1pct of all public housing units nationwide. By acting quickly, HOC has been able to undertake significant modernization and redevelopment for nine of its eleven deeply affordable properties to date, with all eleven scheduled for redevelopment by 2018. Moving swiftly has enabled HOC to make certain that the long-term public benefit endures. HOC has converted its previous public housing developments, using ownership structures that retain full public control. Its financings continue to be supported by mortgage insurance under FHA's Risk Sharing program and Low Income Tax Credits issued by the state. It is worth noting that undertaking this scale of investment also means that in fifteen years, all eleven will need to re-syndicate and raise new capital for renovations.

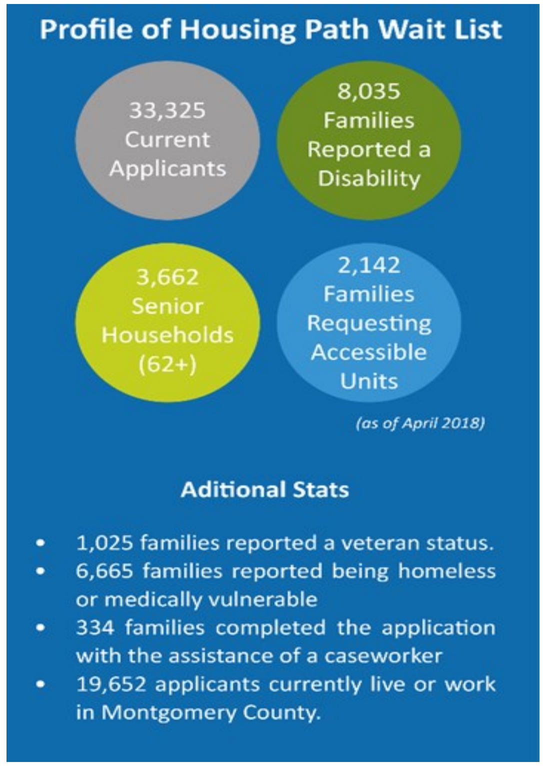
Beyond its public housing recapitalization efforts, HOC is supporting its mission by not only preserving, but increasing the supply of affordable housing in the County. As the long-term holder/owner of numerous housing developments in Montgomery

County, HOC is availing itself of opportunities presented through several master plan updates in Montgomery County. It is doing so through the redevelopment of some of its real estate assets that have been conveyed additional density through zoning changes.

While HOC's affordable housing investment efforts are aggressive, there is much more to be done to meet the needs of the more than 30,000 low-income applicants on its wait list.

Montgomery County Statistics

The affordable housing need in the County is well documented. HOC's Housing Path portal, which opened on August 24, 2015, currently has more than 33,000 applicants. The majority of the applicants, 72 percent, report incomes at or below 30 percent of the area median income. The Housing Path wait list is always open and allows people to apply and update their information online to ensure HOC can effectively serve applicants. The graphic summary to the right provides a more detailed profile of the individuals and families on the wait list and demonstrates the need across populations in Montgomery County.



Beyond the need reflected through HOC's Housing Path wait list, the state's Department of Commerce website compiles and presents county-level comparative statistics using the most recently available sources. The data are clear: as the state's most populous jurisdiction and main economic engine, all signs point toward an increasing need for affordable housing in the county. Maryland Department of Commerce reports that Montgomery County has the largest population, largest labor force, scores highest on a Quality of Life Index, and had a 71.8% labor participation rate in 2016. The county has seen its population grow by nearly 185,000 residents over the last 17 years. Concurrently, 49.4% of renters in the county are cost burdened, paying more than 30% of their income toward rent. With a 6.3% vacancy rate and increasing rents, demand for affordable housing will continue to increase.

Source: U.S. Census Bureau, Date of Data: 2017 ; http://commerce.maryland.gov/about/rankings-and-statistics/data-explorer.

Source: Maryland Department of Labor, Licensing and Regulation, Date of Data: 2018,2016.

Source: Maryland Department of Commerce, Date of Data: 2017,2016.

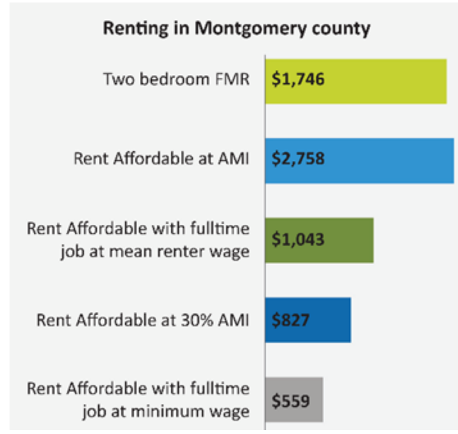
Source: U.S. Census Bureau, Date of Data: 2017, 2016.

Source: National Low income Housing Coalition, Date of Data: 2016

Source: U.S. Department of Health & Human Services, Date of Data 2018

Montgomery County, Maryland has some of the highest housing costs in the nation. According to the National Low Income Housing Coalition, the annual income needed to afford a modest two-bedroom unit is over $69,000, far above the average $22,360 a person working at full-time minimum earns annually.

Montgomery County Facts	
Minimum Wage	$11.50
Average Renter Wage	$20.06
2-Bedroom Housing Wage at FMR	$33.58
Number of Rental Households	123,581
Percent Total Household Rentals	34%



When quality affordable housing is developed, everyone benefits. Affordable housing supports economic development not only by generating jobs but easing pressure within the rental market, allowing more people to live in the communities in which they work, reducing transit needs and its impact on the environment.

HOC contributes to the economic activity of the county by creating access to affordable housing for workers in Montgomery County and creating employment opportunities through the financing and production of affordable housing. Development activities in the previous year have yielded approximately $178 million in total economic output for the county and 1,097 direct, indirect and induced jobs for the county's labor force. Future development activity in amenity-rich communities such as Silver Spring and Rockville stand to yield a projected $656 million in economic output for the county and will help create an additional 4,032 jobs. This activity will provide new business opportunities to architects, engineers, market analysts, and general contractors who in turn hire a variety of professional and paraprofessionals. The result adds to the local tax base and that of the state generally.

Other Current Housing-Related Demographics in Montgomery County

Montgomery County is the largest county in Maryland with an estimated population of 1.06 million people (2017 figure). It is located on 507 square miles of land north of 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 2016 Census data, the Washington Metropolitan area is the sixth largest area.

Other demographic items of note are:

- The 2018 median income for Montgomery County was $99,763 for a household of four. By comparison, the Greater Washington Area Median Income for 2018 is $117,200 for a household of four.
- 6.9% of the total population lives below the Federal Poverty Income guidelines of $25,100 for a household of four down from 7.5% in 2016.
- The County's estimated labor force was 557,412 in 2017.
- The County has an unemployment rate of 3.8% as of July 2018.
- 61% of the workforce reside and work in the County, while 39% work outside the County.
- 91.2% of adults age 25 and older are High School graduates, while 58.1% have obtained a Bachelor's degree or higher in 2016.
- 23.3% of the population is under 18 years old, while 14.9% of the population is 65 or older.
- 51.7% of the population is female.
- 32.6% of County residents are foreign born.

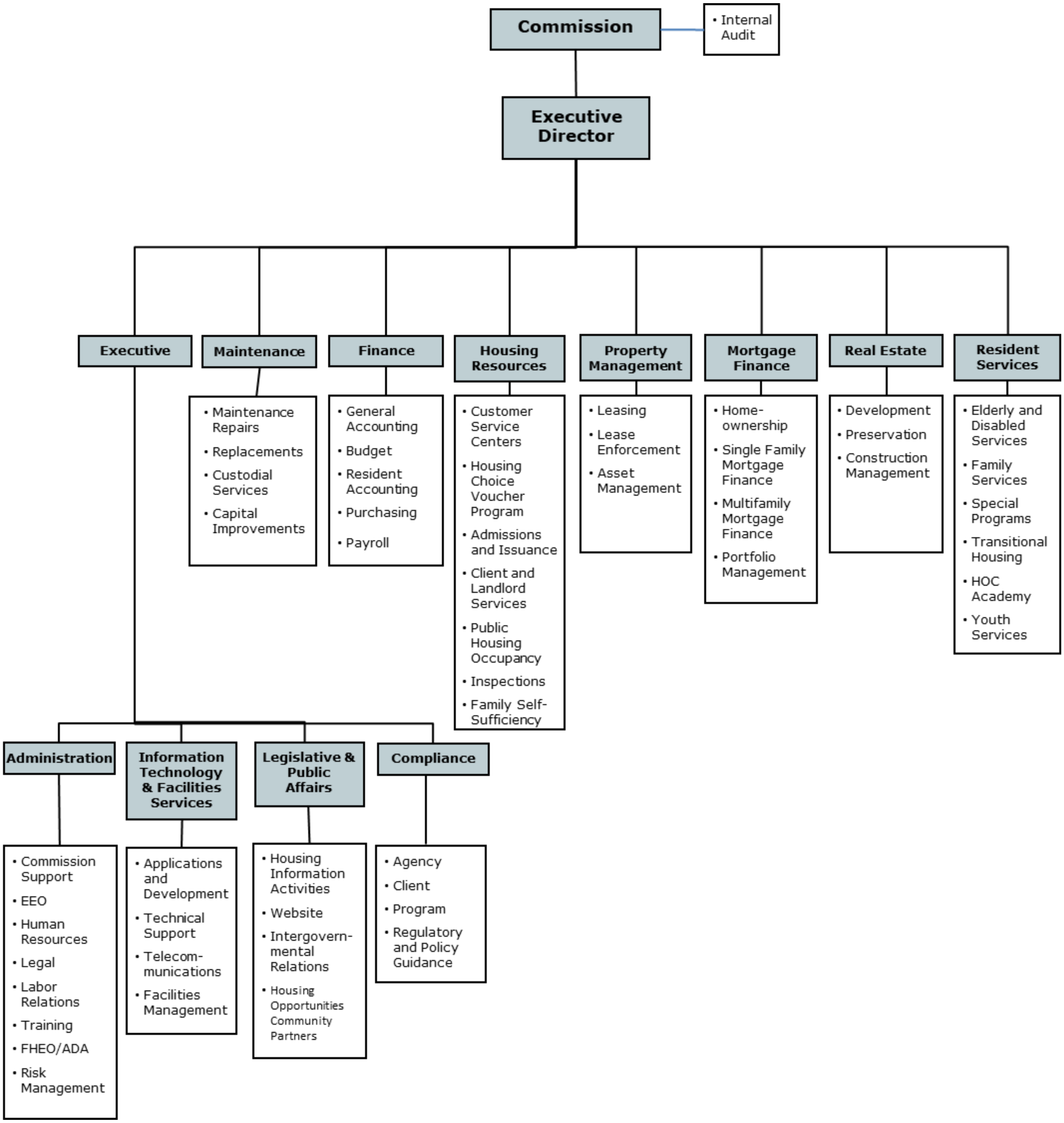
- About 38.8% of Maryland's foreign born population resides in Montgomery County.
- Montgomery County's proportion of households in Maryland is expected to grow from 17.1% in 2010 to 17.8% in 2040.
- Between 2010 and 2040, Montgomery County will absorb 21.6% of the State's household growth.
- 82% of the housing allowed by Montgomery County plans is already built.
- The average household size was 2.77 in 2016.
- 33.2% of the County's households live in multifamily properties, which remain the largest share of home construction.
- 49.4% of renters pay more than 30% of their income on housing costs.
- 28.8% of homeowners pay more than 30% of their income on housing costs.
- The median sales price for all home types in Montgomery County in 2017 was $417,371.
- Time on the market before a house is sold averages 28 days.
- Homeownership rate for 2015 was 65%.
- 34% of households are renter occupied.
- Apartment rents are continuing their upward trend from an average for a 2-bedroom apartment of $1,599 in 2015 to an average of $1,714 in 2018.
- Average apartment rents in 2018:
    - Efficiency $1,367
    - 1-Bedroom $1,479
    - 2-Bedroom $1,714
    - 3-Bedroom $1,993
    - 4-Bedroom $1,878
- The hourly wage needed to afford a 2-bedroom apartment at Fair Market Value is $34.48 ($71,720 annual) for 2018.
- At minimum wage, 3.4 full-time jobs would be needed to afford a 2-bedroom apartment at Fair Market Value.
- Renter Households earn an estimated average hourly wage of $20.51 ($42,660 annual).
- At the average hourly wage, 1.7 full-time jobs would be required to afford a 2-bedroom apartment at Fair Market Rent in Montgomery County.
- A January 2018 one-day census in Montgomery County counted 840 people who are homeless. Approximately 21% (roughly 180) are children .
- 23% of homeless without children and 29% of homeless people with children in Montgomery County 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 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 up to 40% 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 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 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: Jackie Simon, Chair; Richard Nelson, Vice Chair; Edgar Rodriguez, Chair Pro Tem; Pamela Byrd, Linda Croom, Margaret McFarland, and Roy Priest.

Commissioners appoint an Executive Director to operate the Agency. HOC is organized into six operational units and the Executive and Finance Division. (See the Division Summaries from pages 2-3 through 2-50.)

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.

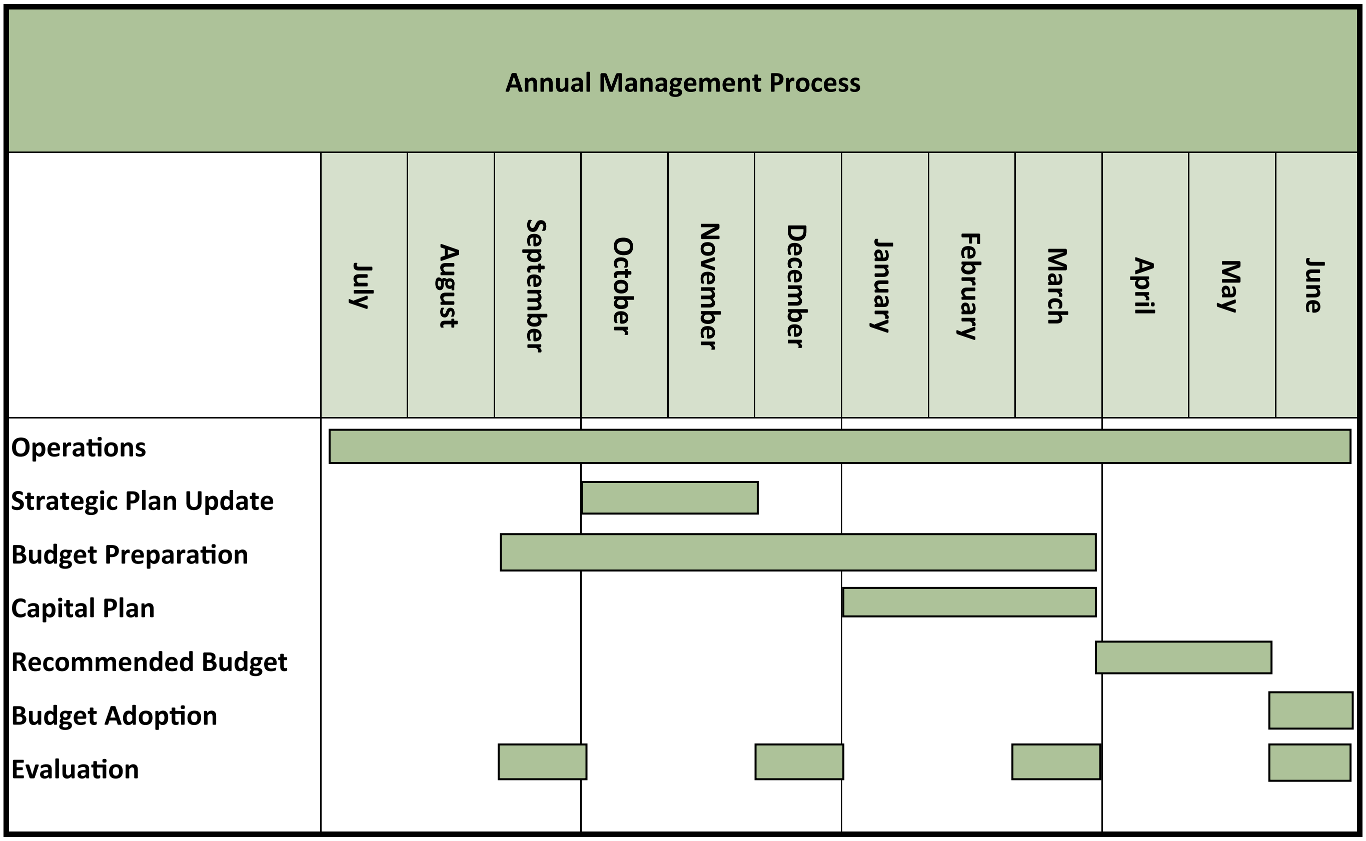
Operations

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 6, 2018

Summary

Housing Type	Actual As of 6/30/2016	Actual As of 6/30/2017	Actual As of 6/30/2018	Budget As of 6/30/2019
Public Housing Rental				
HOC Managed	256	256	136	136
Public Housing HomeOwnership				
HOC Managed	7	7	0	0
Opportunity Housing & Development Corps.				
HOC Managed	1,950	1,950	2,046	2,046
Contract Managed	2,583	2,293	3,472	3,472
Units Owned by HOC	**4,796**	**4,506**	**5,654**	**5,654**
Managed Properties				
HOC Managed	807	807	806	806
Contract Managed	1,300	1,422	1,107	1,307
Subtotal	**2,107**	**2,229**	**1,913**	**2,113**
Units Administered				
Rental Assistance Programs	7,143	7,349	7,758	7,823
Transitional Housing Programs	227	228	228	228
Special Programs	511	614	687	484
Subtotal	**7,881**	**8,191**	**8,673**	**8,535**
Units Managed or Administered	**9,988**	**10,420**	**10,586**	**10,648**
TOTAL - ALL UNITS	**14,784**	**14,926**	**16,240**	**16,302**
Total Units Managed by HOC	**3,020**	**3,020**	**2,988**	**2,988**
Total Units Contract Managed	**3,883**	**3,715**	**4,579**	**4,779**
Total Units Administered by HOC	**7,881**	**8,191**	**8,673**	**8,535**

Part A: Units Owned by HOC

Property No.	Property Name	Actual As of 6/30/2016	Actual As of 6/30/2017	Actual As of 6/30/2018	Budget As of 6/30/2019
	PUBLIC HOUSING RENTAL				
Elderly Communities					
511-402	Elizabeth House	160	160	136	136
511-413	Holly Hall	96	96	0	0
	Subtotal - Elderly	**256**	**256**	**136**	**136**
	Subtotal-Public Housing Rental	**256**	**256**	**136**	**136**
	PUBLIC HOUSING HOMEOWNERSHIP				
Family Communities					
524-411	Tobytown	7	7	0	0
	Subtotal - Family	**7**	**7**	**0**	**0**
	Subtotal-Homeownership	**7**	**7**	**0**	**0**
	Total Public Housing Units (all HOC Managed)	**263**	**263**	**136**	**136**
	OPPORTUNITY HOUSING & DEVELOPMENT CORPORATIONS				
Family Communities - HOC Managed					
411-413	Holly Hall Interim	0	0	96	96
469-471	Chelsea Towers	21	21	21	21
499-500	Jubilee Hermitage	3	3	3	3
499-501	Jubilee Woodedge	3	3	3	3
499-502	Jubilee Falling Creek	3	3	3	3
499-503	Jubilee Horizon	3	3	3	3
499-903	Avondale Apartments	25	25	25	25
911-405	Washington Square	50	50	50	50
911-414	Seneca Ridge (Middlebrook Square)	71	71	71	71
911-422	Ken Gar	19	19	19	19
911-426	Parkway Woods	24	24	24	24
911-430	Towne Centre Place	49	49	49	49
911-432	Sandy Spring	55	55	55	55
915-458	Pomander Court (Dev. Corp.)	24	24	24	24
965-480	Magruder's Discovery (Dev. Corp.)	134	134	134	134
	Subtotal - Family HOC Managed	**484**	**484**	**580**	**580**

Part A: Units Owned by HOC continued

Property No.	Property Name	Actual As of 6/30/2016	Actual As of 6/30/2017	Actual As of 6/30/2018	Budget As of 6/30/2019
	OPPORTUNITY HOUSING & DEVELOPMENT CORPORATIONS				
Scattered Units - HOC Managed					
452-469	McHome	38	38	38	38
443-100	King Farm Village Center	1	1	1	1
454-451	Holiday Park	20	20	20	20
461-464	Paint Branch	14	14	14	14
462-466	McKendree	13	13	13	13
463-467	MPDU I	64	64	64	64
470-450	State Rental Combined	196	196	196	196
488-000	CDBG Units	3	3	3	3
489-000	NSP Units	7	7	7	7
490-000	NCI Units	14	14	14	14
499-900	MPDU 2007 - Phase II	6	6	6	6
499-902	617 Olney Sandy Spring Road	1	1	1	1
817-720	MHLP VII	35	35	35	35
818-721	MHLP VIII	49	49	49	49
913-484	MPDU III (Dev. Corp.)	23	23	23	23
915-468	MPDU II (Dev. Corp.)	59	59	59	59
921-100	Scattered Site One (Dev. Corp.)	190	190	190	190
921-200	Scattered Site Two (Dev. Corp.)	54	54	54	54
922-100	VPC One (Dev. Corp.)	399	399	399	399
922-200	VPC Two (Dev. Corp.)	280	280	280	280
	Subtotal - Scattered HOC Managed	**1,466**	**1,466**	**1,466**	**1,466**
	Subtotal-HOC Managed	**1,950**	**1,950**	**2,046**	**2,046**
Family Communities - Contract Managed					
414-460	Fairfax Court	18	18	18	18
418-476	Pooks Hill Mid-Rise	50	50	50	50
427-490	Greenhills	77	77	0	0
433-487	Strathmore Court @ White Flint	151	151	151	151
434-742	Shady Grove Apartments LP	0	0	53	53
435-489	Westwood Towers	212	212	212	212
435-743	The Willows of Gaithersburg Associates LP	0	0	144	144
436-100	Brooke Park Apts	18	18	18	18
437-100	Cider Mill Apartments	0	0	864	864
437-744	MV Affordable Housing Associates LP	0	0	195	195
441-485	Brookside Glen (The Glen)	90	90	90	90
442-473	Diamond Square	124	124	124	124
499-200	Dale Drive	10	10	10	10
499-400	Southbridge	39	39	39	39
841-748	Ambassador	162	0	0	0
912-479	Alexander House (Dev. Corp.)	311	183	183	183
914-488	The Metropolitan (Dev. Corp.)	216	216	216	216
915-472	Timberlawn (Dev. Corp.)	107	107	107	107
917-477	Pooks Hill High-Rise (Dev. Corp.)	189	189	189	189
917-478	Montgomery Arms (Dev. Corp.)	129	129	129	129
918-100	MetroPointe (Dev. Corp.)	120	120	120	120
919-200	Paddington Square (Dev. Corp.)	165	165	165	165
920-400	Barclay (Dev. Corp.)	76	76	76	76
923-480	Glenmont Crossing (Dev. Corp.)	97	97	97	97
923-481	Glenmont Westerly (Dev. Corp.)	102	102	102	102
	Subtotal - Family Contract Managed	**2,463**	**2,173**	**3,352**	**3,352**
Elderly Communities - Contract Managed					
911-475	The Oaks (Dev. Corp.)	120	120	120	120
	Subtotal - Elderly Contract Managed	**120**	**120**	**120**	**120**
	Subtotal-Contract Managed	**2,583**	**2,293**	**3,472**	**3,472**
	Total Opportunity Housing and Development Corporations	**4,533**	**4,243**	**5,518**	**5,518**

Part B: Units Managed and Administered by HOC

Property No.	Property Name	Actual As of 6/30/2016	Actual As of 6/30/2017	Actual As of 6/30/2018	Budget As of 6/30/2019
	MANAGED PROPERTIES				
236 Elderly Communities - HOC Managed					
871-701	Bauer Park	142	142	142	142
872-703	Town Center Apts.	112	112	112	112
	Subtotal - Elderly HOC Managed	**254**	**254**	**254**	**254**
Other Elderly Communities - HOC Managed					
811-415	Arcola Towers	141	141	141	141
811-417	Waverly House	158	158	157	157
	Subtotal - Family HOC Managed	**299**	**299**	**298**	**298**
Other Family Communities - HOC Managed					
899-000	Lasko Manor. LP	12	12	12	12
874-705	Camp Hill Square (236 property)	51	51	51	51
	Subtotal - Family HOC Managed	**63**	**63**	**63**	**63**
Scattered Units - HOC Managed					
819-711	MHLP IX (Pond Ridge)	40	40	40	40
819-712	MHLP IX (MPDU units)	76	76	76	76
820-713	MHLP X	75	75	75	75
	Subtotal - Scattered HOC Managed	**191**	**191**	**191**	**191**
	Subtotal-HOC Managed	**807**	**807**	**806**	**806**
Family Communities - Contract Managed					
818-100	MetroPointe LP	53	53	53	53
827-490	Greenhills LP	0	0	77	77
831-787	Strathmore Court LP	51	51	51	51
832-788	The Metropolitan of Bethesda LP	92	92	92	92
833-741	Manchester Manor Apts. LP	53	53	0	0
834-742	Shady Grove Apartments LP	144	144	0	0
835-743	The Willows of Gaithersburg Associates LP	195	195	0	0
837-744	MV Affordable Housing Associates LP	94	94	94	94
838-714	Georgian Court Silver Spring LP	147	147	147	147
839-746	Barclay One Associates LP	81	81	81	81
840-747	Spring Garden One Associates LP	83	83	83	83
842-749	Forest Oak Towers LP	175	175	175	175
843-750	Tanglewood and Sligo LP	132	132	132	132
844-741	Alexander House LP	0	122	122	122
899-200	CCL Multifamily LLC (The Lindley)	0	0	0	200
	Subtotal - Family Contract Managed	**1,300**	**1,422**	**1,107**	**1,307**
	Subtotal Contract Managed Properties	**1,300**	**1,422**	**1,107**	**1,307**
	Total Managed Properties	**2,107**	**2,229**	**1,913**	**2,113**

Part B: Units Managed and Administered by HOC continued

Housing Type	Actual As of 6/30/2016	Actual As of 6/30/2017	Actual As of 6/30/2018	Budget As of 6/30/2019
UNITS ADMINISTERED				
Rental Assistance Programs				
Vouchers	6,537	6,718	7,095	7,132
Portables	577	603	638	662
Mod / Rehab	29	28	25	29
Subtotal-Rental Assistance	**7,143**	**7,349**	**7,758**	**7,823**
Transitional Housing Programs				
McKinney III	10	10	10	10
Turnkey	11	11	11	11
McKinney X	172	172	172	172
McKinney XII	34	35	35	35
Subtotal-Transitional Housing	**227**	**228**	**228**	**228**
Specialized Programs				
State Rental Assistance Program (RAP)	36	40	26	0
Housing Counselor Programs	47	70	50	0
Rent Supplemental Programs	295	300	300	300
Housing Initiative Program (HIP)	84	84	84	84
Master Lease Properties	49	120	227	100
Subtotal-Specialized Programs	511	614	687	484
Total Administered Properties	**7,881**	**8,191**	**8,673**	**8,535**

Part C: HOC Financing

PRIVATELY OWNED UNITS FINANCED BY THE HOC PROPERTY NAME	Actual As of 6/30/2016	Actual As of 6/30/2017	Actual As of 6/30/2018	Budget As of 6/30/2019
Private Bond-Financed Properties				
1 Amherst Square	125	125	125	125
2 Argent	96	96	96	96
3 Blair Park	52	52	52	52
4 Charter House	212	212	212	212
5 Churchill Senior Living Phase II	0	133	133	133
6 Clopper Mill Manor	102	102	102	102
7 Covenant Village	89	89	89	89
8 The Crossings @ Olde Towne	0	199	199	199
9 Drings Reach	104	104	104	104
10 Lakeview	152	152	152	152
11 Oakfield Apartments	371	371	371	371
12 Lenox Park	406	406	406	406
13 Olney Manor	100	100	100	100
14 Randolph Manor	83	83	83	83
15 Ring House	248	248	248	248
16 Rockville Housing Enterprises	56	56	56	56
17 Victory Court	86	86	86	86
18 Victory Forest	181	181	181	181
PRIVATE SUBTOTAL	**2,463**	**2,795**	**2,795**	**2,795**

Part D: HOC Financing

NUMBER OF SINGLE FAMILY LOANS	Actual As of 6/30/2016	Actual As of 6/30/2017	Actual As of 6/30/2018	Budget As of 6/30/2019
HALF LOANS				
Number of New Loans				
First Trusts	1	1	1	1
Closing Cost	0	1	1	1

	Actual As of 6/30/2016	Actual As of 6/30/2017	Actual As of 6/30/2018	Budget As of 6/30/2019
CLOSING COST LOANS				
Number of New Loans	175	145	145	145
Number of Loans Outstanding	753	898	1,043	1,188

	Actual As of 6/30/2016	Actual As of 6/30/2017	Actual As of 6/30/2018	Budget As of 6/30/2019
MORTGAGE PURCHASE PROGRAM				
Number of New Loans	146	140	140	140
Number of Loans Outstanding - Whole Loans & MBS	1,323	1,413	1,553	1,693

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General Financial Information

General Financial Information

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 1st). 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 objectives: 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.

Financial Policies cont.

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.

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: Impress 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 monthly and quarterly 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.

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.

Rental Income Collection Policy

Rents may be paid by personal checks, money orders, certified checks, County government checks, or via the on-line rent payment system. No cash is accepted or handled by staff. Rent payments are collected via mail, and through drop boxes located at the HUB locations during business hours.

Rent is due on the first day of every month, and is considered late after 5pm on the tenth day of the month. 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.

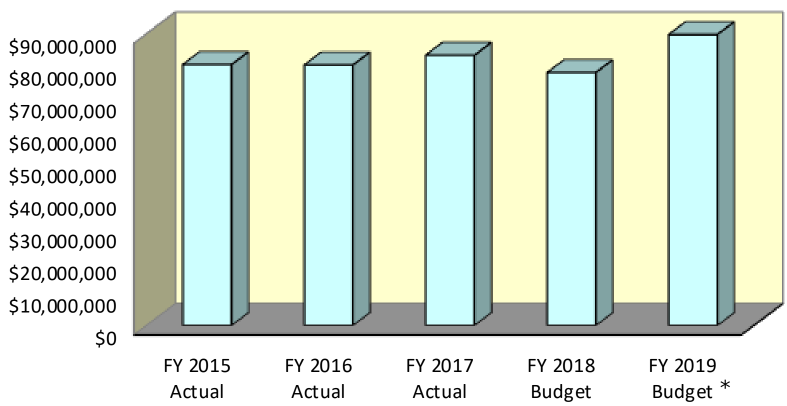
Description of Major Revenue Sources

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.

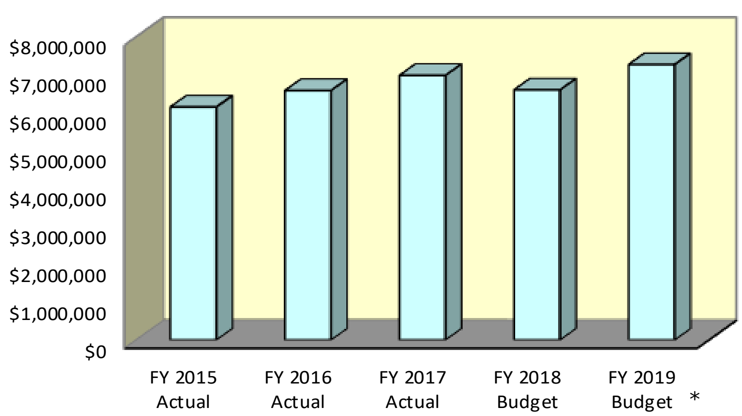
Housing Assist Payments (HAP)



$80,538,799 $80,416,417 $83,414,642 $78,071,346 $89,766,198

**Represents 33.9% of Revenues for FY 2019.*

HCV Administrative Fees - Income



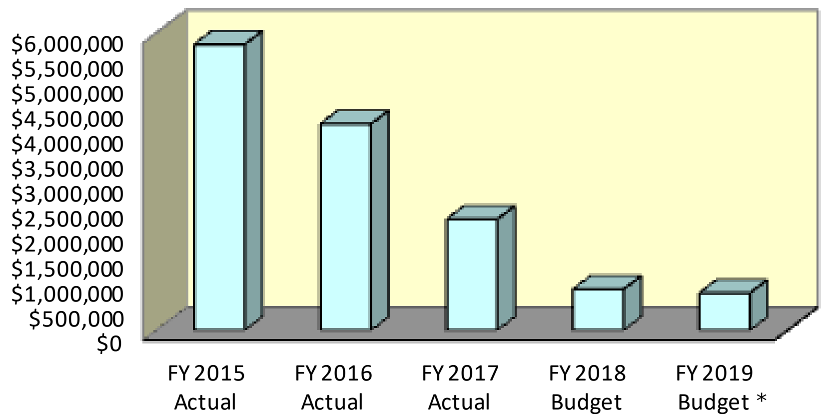
$6,144,367 $6,582,370 $6,984,926 $6,599,109 $7,272,720

**Represents 2.7% of Revenues for FY 2019.*

Public Housing Operating Subsidy

HOC receives an annual grant from HUD for operating Public Housing units called the Public Housing Operating Subsidy (PHOS). 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 2019, the subsidy is based on FY 2017 income and expenses adjusted for inflation. As HOC transitions out of Public Housing, declining revenues in Public Housing subsidy will be replaced by increased revenues from resident rent and subsidy from project based Rental Assistance and Project-Based vouchers.

Public Housing Operating Subsidy



$5,766,099 $4,164,665 $2,241,354 $827,556 $749,980

**Represents 0.9% and 0.3% of Revenues for FY 2019.*

The FY 2019 budget is based on 90% funding rate from HUD.

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.

County Funds

County Operating Grant

Most direct funding received from Montgomery County is in the form of an annual grant. The majority of the grant funds are 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 funding for Housing Resource Services and the Customer Service Centers.

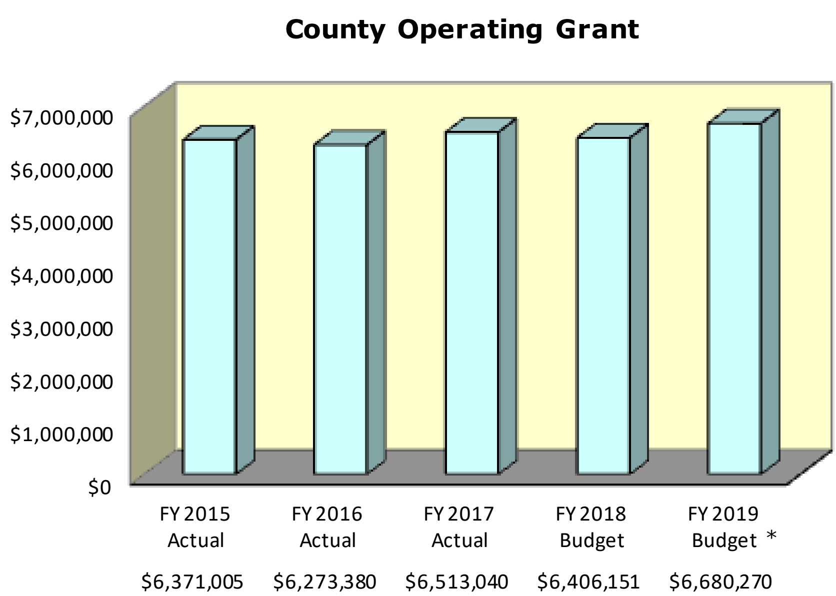
Montgomery Housing Initiative Fund (HIF)

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 June 30, 2018, HOC had $3.9 million in outstanding loans, which equals 23% of total authority.



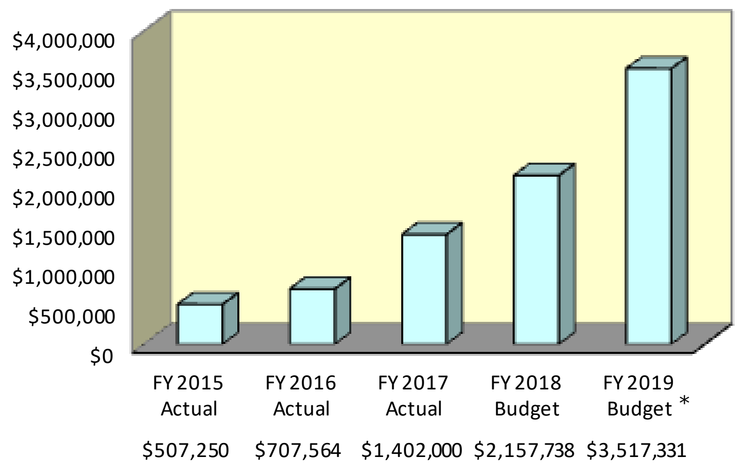
**Represents 2.6% and 2.5% of Revenues for FY 2019.*

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.

Commitment Fees



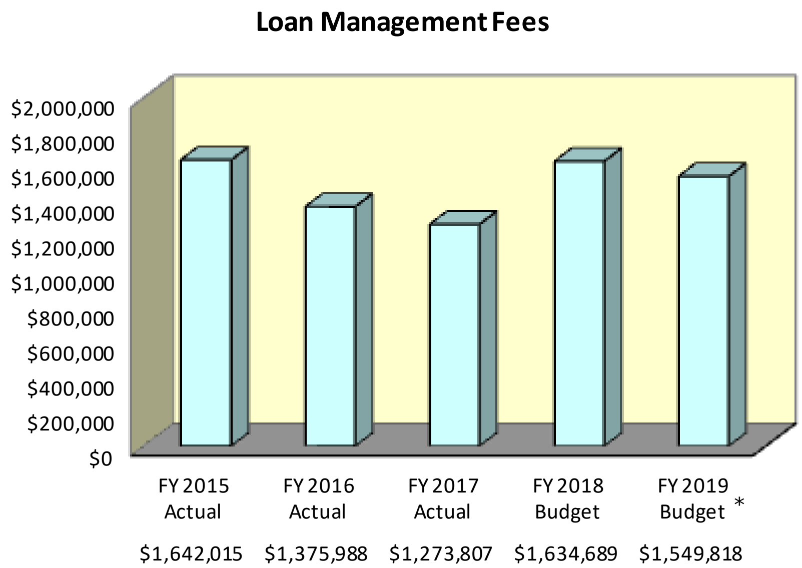
**Represents 1.3% of Revenues for FY 2019.*

In FY 2019, 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.

Mortgage Finance Activities (cont.)

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.



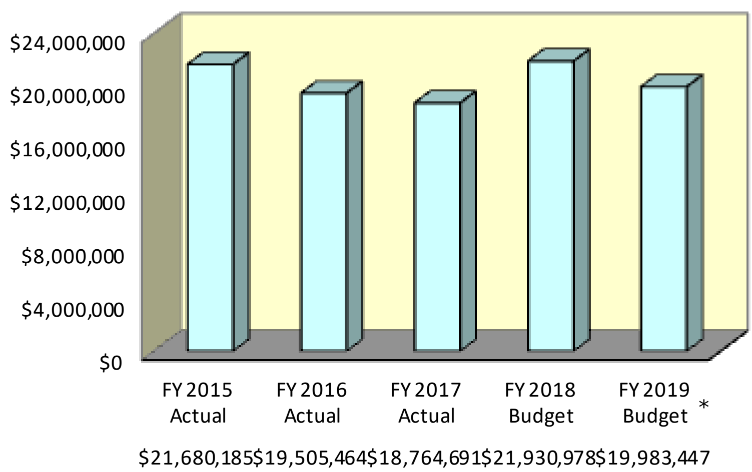
**Represents 0.6% of Revenues for FY 2019.*

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.

Mortgage Interest Income



**Represents 7.5% of Revenues for FY 2019.*

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 2019 budget draws $1,549,858 from 1979 Single Family Mortgage Revenue Bond (MRB) Indenture for the cost of program administration for the Single Family Mortgage Purchase Program, and $1,623,898 from the 1996 Multifamily Housing Development Bond (MHDB) Indenture 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

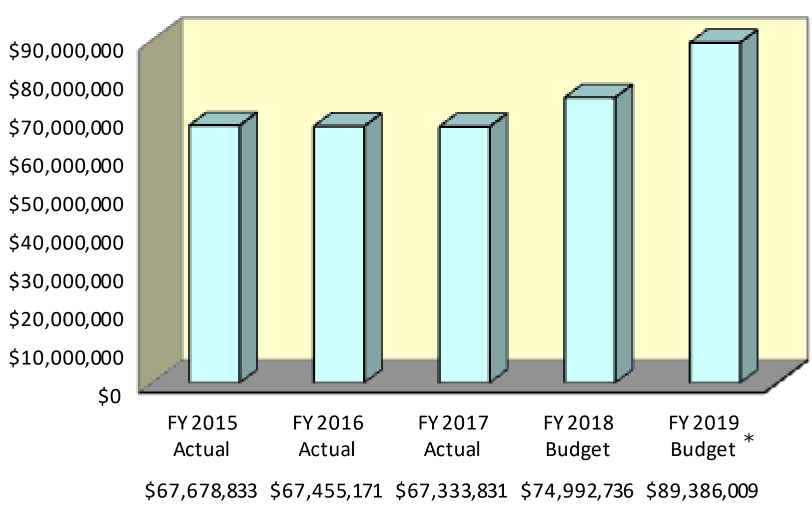
Rental related income from the Public Housing properties are based on the resident's income thus may be affected by economic conditions. Rent assumptions for the Opportunity Housing Program are property specific and are based on a combination of subsidy requirements and market conditions. The Commission 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 2019 budget made the following assumptions for rental rates at Opportunity Housing Properties:

Rent increase upon renewal budgeted at 2.1%-3.1%.

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

Tenant Income



**Represents 33.8% of Revenues for FY 2019.*

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 management agreements as well as the needs identified in the five year capital plan that is prepared for each property annually.

The FY 2019 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 Opportunity Housing 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.

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 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 $60 million unsecured line of credit and a $90 million Real Estate 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 June 30, 2018.

Debt Summary (As of June 30, 2018)

Bonds	Amount Issued	Amount Outstanding	Property Related	Amount Outstanding
Single Family Fund	$313,480,000	$219,205,000	Intra-Commission Mortgages	$159,352,858
Multifamily Fund	$410,306,992	$304,708,718	Other Mortgages	$375,160,728
Total HOC Bonds	**$723,786,992**	**$523,913,718**	**Total Mortgages**	**$534,513,585**
			Notes Payable to County	$55,091,963
Non-Obligated Multifamily Bonds	$222,757,000	$210,536,962	County Revolving Funds	$3,003,579
Total Non-Obligated Bonds	**$222,757,000**	**$210,536,962**	**Total Debt to County**	**$58,095,542**
			Notes Payable to State	**$17,526,297**
TOTAL BONDS	**$946,543,992**	**$734,450,680**	**TOTAL PROPERTY DEBT**	**$610,135,425**

Single Family Mortgage Revenue Bonds (As of June 30, 2018)

Bond Series	Final Maturity	Amount Issued	Amount Outstanding
2007 Series E	1/1/2038	$13,000,000	$8,315,000
2008 Series D	7/1/2039	$17,200,000	$17,200,000
2009 Series A	7/1/2021	$20,000,000	$1,165,000
2013 Series A	1/1/2031	$38,645,000	$26,050,000
2013 Series B	7/1/2043	$14,825,000	$3,425,000
2016 Series A	7/1/2046	$32,805,000	$27,240,000
2016 Series B	7/1/2022	$9,850,000	$8,895,000
2017 Series A	7/1/2048	$22,000,000	$21,690,000
2017 Series B	7/1/2030	$11,300,000	$11,180,000
2018 Series A	7/1/2049	$29,435,000	$29,435,000
2018 Series B	7/1/2039	$8,450,000	$8,450,000
Total Single Family Revenue Bonds		**$217,510,000**	**$163,045,000**
SINGLE FAMILY HOUSING REVENUE BONDS (As of June 30, 2018)			
NIBP 2009 Series A	7/1/2026	$10,000,000	$3,155,000
NIBP 2009 Series B	7/1/2039	$15,000,000	$8,870,000
NIBP 2009 Series C-1	7/1/2041	$9,000,000	$5,950,000
NIBP 2009 Series C-2	7/1/2041	$16,170,000	$10,720,000
NIBP 2009 Series C-3	7/1/2029	$2,450,000	$1,960,000
NIBP 2009 Series C-4	7/1/2041	$9,770,000	$7,750,000
NIBP 2009 Series C-5	7/1/2031	$2,610,000	$2,370,000
NIBP 2010 Series A	1/1/2027	$6,000,000	$2,085,000
NIBP 2011 Series A	7/1/2027	$12,425,000	$5,425,000
NIBP 2012 Series A	1/1/2043	$12,545,000	$7,875,000
Total HOC Owned Bonds		**$95,970,000**	**$56,160,000**
Total Bonds		**$313,480,000**	**$219,205,000**

Multifamily Housing Bonds (As of June 30, 2018)

Bond Series	Current Property Name	Owner	Final Maturity	Amount Issued	Amount Outstanding
1984 Open Indenture					
1984 Series A			7/1/2026	$5,521,992	$243,718 (1)
1995 Series A	MPDU I	HOC	7/1/2026	$23,910,000	$1,450,000
SUBTOTAL				**$29,431,992**	**$1,693,718**
1996 Open Indenture					
2004 Series A	Charter House	Private	7/1/2036	$13,700,000	$10,770,000
2004 Series B	Rockville Housing	Non-Profit	7/1/2045	$4,085,000	$3,435,000
2004 Series C	Chevy Chase	HOC	7/1/2036	$19,460,000	$8,035,000
2004 Series D	Spring Garden	HOC	7/1/2036	$14,110,000	$10,445,000
2005 Series B	The Metroplitan Tax Credit	HOC	7/1/2034	$5,440,000	$4,270,000
2005 Series C	The Metroplitan HOC	HOC	7/1/2037	$28,630,000	$23,610,000
2007 Series A	Forest Oak	HOC	7/1/2037	$19,055,000	$15,185,000
2007 Series C-1	Tx Cr 9, Tx Cr Pond Ridge	Non-Profit/HOC	7/1/2028	$5,110,000	$3,405,000
2010 Series A	Magruders	HOC	7/1/2041	$12,375,000	$10,730,000
2011 Series A	MetroPointe	HOC	1/1/2049	$33,585,000	$31,135,000
2011 Series B	MetroPointe	HOC	1/1/2049	$3,020,000	$2,810,000
2012 Series A	Ring House & Scattered Sites	Private/HOC	7/1/2043	$24,935,000	$19,965,000
2012 Series B	TPM (redeem), Dring's Reach & Oaks	HOC/private/HOC	7/1/2033	$18,190,000	$7,500,000
2012 Series C	Shady Grove, Manchester, Willows, Tax Cr 10, Stewartown, Georgian Crt	HOC	7/1/2031	$24,230,000	$15,490,000
2012 Series D	Pooks Hill, Diamond Sq., Montgomery Arms, The Glen	HOC	7/1/2043	$34,975,000	$29,515,000
2014 Series A	RAD 6 - Senca Ridge, Wash. Sq., Parkway Woods, Ken Gar, Sandy Spring, Towne Center	HOC	7/1/2046	$24,000,000	$23,235,000
2015 Series A-1	Arcola	HOC	1/1/2053	$15,010,000	$14,890,000
2015 Series A-2	Waverly	Private	7/1/2018	$20,840,000	$20,840,000
2017 Series A	Greenhills	HOC	7/1/2054	$12,000,000	$12,000,000
SUBTOTAL				**$332,750,000**	**$267,265,000**

(1) Includes Accreted Value

Bond Series	Current Property Name	Owner	Final Maturity	Amount Issued	Amount Outstanding
Housing Development Bonds (Guaranteed by Montgomery County)					
1998 Issue A	Landings Edge	Non-Profit	7/1/2028	$12,900,000	$6,975,000
SUBTOTAL				**$12,900,000**	**$6,975,000**
Multiple Purpose Indenture					
2002 Series A	Strathmore Court	HOC	11/1/2033	$22,325,000	$16,840,000
SUBTOTAL				**$22,325,000**	**$16,840,000**
Multifamily Housing Bonds Indenture					
2009 Series A-2	Argent		1/1/2044	$8,040,000	$8,040,000
2010 Series A	Argent		1/1/2033	$4,860,000	$3,895,000
SUBTOTAL				**$12,900,000**	**$11,935,000**

Multifamily Housing Bonds (As of June 30, 2018)

Bond Series	Current Property Name	Owner	Final Maturity	Amount Issued	Amount Outstanding
Non-Obligation Bond Issues:					
Multifamily Housing Revenue Bonds					
2003 Issue A	Randolph Manor	Private	8/1/2045	$5,500,000	$4,940,427
2004 Issue A	Olney Manor	Private	1/1/2046	$7,000,000	$6,321,688
2004 Issue B	Blair Park	Private	10/15/2036	$2,700,000	$1,751,452
2004 Issue C	Cloppers Mill	Private	7/1/2046	$7,800,000	$7,088,102
2006 Issue A	Covenant Village	Private	12/1/2048	$6,418,000	$5,956,399
2008 Issue A	Victory Forest	Private	9/1/2045	$6,600,000	$1,226,587
Series 2018	Hillside Senior Living	Private	2/1/2060	$26,270,000	$26,270,000
Multifamily Housing Revenue Refunding Bonds					
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
Variable Housing Revenue Bonds					
2005 Issue I	Oakfield	Private	10/15/2039	$38,000,000	$38,000,000
1998 Issue I	Byron House	Private	9/1/2023	$2,319,000	$904,000
2012 Issue A	Victory Court	Private	10/1/2024	$8,400,000	$7,946,727
Non-Obligaton Notes - (Multifamily Housing Revenue Bonds)					
2015 Issue A	The Crossings - Olde Towne Gaithersburg Apts (Y-Site)	Private	4/1/2048	$25,525,000	$25,286,371
2015 Issue B	Lakeview House Apts.	Private	7/1/2031	$34,225,000	$32,845,209
SUBTOTAL				**$222,757,000**	**$210,536,962**

Property Related Debt (As of June 30, 2018)

Property	Purpose	Amount Outstanding
Intra-Commission mortgages made from bond issues		
Barclay Development Corporation	Mortgage	$7,965,278
Diamond Square	Mortgage	$1,212,509
Magruder's Discovery	Mortgage	$10,522,853
Manchester Manor Apts	Mortgage	$1,433,676
Montgomery Arms	Mortgage	$7,379,262
MPDUs (64)	Mortgage	$1,315,636
Pooks Hill Highrise	Mortgage	$16,069,198
Pooks Hill Midrise	Mortgage	$2,021,013
RAD 6	Mortgage	$23,081,947
Scattered Site One Dev Corp	Mortgage	$8,149,108
Shady Grove Apts LP	Mortgage	$4,623,740
Strathmore Court	Mortgage	$13,597,678
The Glen	Mortgage	$4,749,553
The Metropolitan	Mortgage	$23,743,316
The Oaks at Four Corners	Mortgage	$1,762,256
The Willows of Gaithersburg Assoc. LP	Mortgage	$1,840,058
Wheaton Metro Development Corporation	Mortgage	$29,885,777
Subtotal		**$159,352,858**

Property	Purpose	Amount Outstanding
Loans from Montgomery County Revolving Funds		
Ambassador	Interim Financing	$2,284,066
Brooks Farm	Interim Financing	$43,635
Holiday Park Townhouse	Interim Financing	$609,378
Pooks Hill Midrise	Interim Financing	$66,500
Subtotal		**$3,003,579**
Notes Payable to State of Maryland		
CDBG McAlpine Road	Rehab	$107,493
Dale Drive	RHPP	$600,000
Diamond Square	RHPP	$2,000,000
Montgomery Arms	RHPP	$98,668
State Rental Consolidated	PHRP	$8,795,567
State Rental VII	PHRP	$4,712,863
The Glen	RHPP	$1,211,706
Subtotal		**$17,526,297**

Property Related Debt (As of June 30, 2018) – (cont.)

Property	Purpose	Amount Outstanding
(cont,)		
Other Mortgages		
Glenmont Crossing	Mortgage	$1,954,475
Glenmont Crossing	Mortgage	$8,837,228
Glenmont Westerly	Mortgage	$6,783,872
MHLP VII	Mortgage	$522,725
Paddington Square	Mortgage	$19,665,604
Scattered Site Two Dev Corp	Mortgage	$4,418,700
TPP LLC - Pomander	Mortgage	$3,637,967
TPP LLC - Timberlawn	Mortgage	$16,219,263
Subtotal		**$62,039,835**
Other Loans/OHRF		
499-901 (HOC at Hillandale Gateway LLC (formerly CONA))	Acquisition	$1,756,386
Alexander House	Construction	$28,844,606
Ambassador	Line of credit	$2,060,106
Chevy Chase Lake	Line of credit	$3,995,653
Fairfax Court	Line of credit	$746,000
Montgomery Arms	Rehab	$1,340,037
Paddington Square	Rehab	$923,038
VPC One Development Corporation	Rehab/Line of credit	$2,447,692
VPC Two Development Corporation	Rehab	$1,712,308
Wheaton Metro Development Corporation	Rehab	$1,379,283
Subtotal		**$45,205,109**
Other Loans		
900 Thayer Avenue (499-904)	Acquisition	$9,093,673
Avondale Apartments	Acquisition	$7,037,704
Barclay	Rehab	$2,432,247
Development in process	Note Payable	$929,300
Development in process	Mortgage	$177,976
Elizabeth House III	Acquisition	$8,655,495
Elizabeth House IV	Acquisition	$1,629,632
Glenmont Crossing	Rehab/purchase	$2,023,400
Glenmont Westerly	Rehab/purchase	$2,752,183
HOC - Cider Mill Apartments	Acquisition	$125,000,000
HOC - Cider Mill Apartments	Acquisition	$22,899,532
HOC-CCL Multifamily LLC Member	Line of credit	$10,156,431
Southbridge	Note Payable	$1,943,309
The Willows of Gaithersburg Assoc. LP	Rehab/purchase	$293,182
Upton II	Acquisition	$522,193
VPC One Development Corporation	Mortgage	$30,104,667
VPC Two Development Corporation	Mortgage	$21,423,514
Westwood Tower	Acquisition	$20,400,000
Wheaton Flats LLC	Acquisition	$441,347
Subtotal		**$267,915,784**

Property	Purpose	Amount Outstanding
Notes Payable to Montgomery County		
Ambassador	Acquisition	$2,000,000
Brooke Park Apartments	Acquisition	$3,840,439
CDBG	Acquisition	$604,275
CDBG McAlpine Road	Acquisition	$101,168
Chelsea Towers	Acquisition	$1,087,595
Chelsea Towers	Home Funds	$268,000
Countyn Revolving CCAP	Acquisition	$1,378,905
Dale Drive	Construction	$1,738,012
Diamond Square	Rehab	$2,746,344
Glenmont Crossing- contribution in books	Rehab	$2,850,000
Glenmont Westerly-contribution in books	Rehab	$3,650,000
HOC/HOP	Acquisition/Rehab	$1,606,788
Jubilee Housing	Predevelopment	$965,231
King Farm Village Center	Acquisition & Rehab	$1,697,078
Manchester Manor Apts	Housing Initiative Funds	$800,000
Mchome	Acquisition & Rehab	$2,005,645
Montgomery Arms	Acquisition & Rehab	$1,699,307
NCI I	Acquisition & Rehab	$4,039,753
NSP I	Acquisition & Rehab	$1,993,071
Oaks @ Four Corners	Acquisition & Rehab	$1,685,905
Paddington Square	Acquisition	$5,196,232
Pooks Hill Midrise	Acquisition	$268,622
Scattered Site Two Development Corp	Acquisition	$609,108
Shady Grove Apts LP	Home Funds	$282,000
Southbridge	Acquisition & Rehab	$6,025,253
State rental combined	Acquisition	$60,000
State Rental VII	Acquisition	$1,668,050
The Glen	Acquisition	$640,462
The Willows of Gaithersburg Assoc. LP	Home Funds	$600,000
Wheaton Metro Dev Corp.	Rehab	$2,984,721
Subtotal		**$55,091,963**
	Total Property Related Debt	**$610,135,425**

Debt Summary By Fund

	Total Debt Service			FY 2019 Adopted Budget			
Property Name	FY 2016 Actual	FY 2017 Actual	FY 2018 Amended	Interest Payments	Mortgage Insurance	Principal Payments	Total Debt Service
General Fund							
Facilities	$0	$0	$0	$0	$0	$0	$0
IT	$0	$0	$0	$0	$0	$0	$0
Interest Refund	$5,676	$12,843	$10,400	$12,850	$0	$0	$12,850
LOC	$537,522	$923,199	$0	$0	$0	$0	$0
Smith Village	$21,817	$21,817	$21,820	$21,820	$0	$0	$21,820
Total General Fund	**$565,015**	**$957,859**	**$32,220**	**$34,670**	**$0**	**$0**	**$34,670**
Multifamily Bond Fund	**$11,292,763**	**$11,599,953**	**$12,167,080**	**$11,578,400**	**$0**	**$0**	**$11,578,400**
Single Family Bond Fund	**$6,296,852**	**$4,772,931**	**$7,462,220**	**$6,132,370**	**$2,700**	**$0**	**$6,135,070**
Opportunity Housing Fund							
Alexander House	$284,425	$375,022	$0	$0	$0	$0	$0
Avondale Apartments	$44,424	$62,060	$36,520	$92,250	$0	$0	$92,250
Ambassador	$106,181	$96,799	$0	$0	$0	$0	$0
Barclay	$681,297	$679,999	$678,410	$348,590	$38,800	$289,580	$676,970
Brookside Glen (The Glen)	$501,924	$500,928	$499,890	$235,120	$23,150	$240,530	$498,800
CDBG Units	$929	$929	$0	$920	$0	$0	$920
Chelsea Towers	$63,480	$61,274	$59,020	$13,730	$0	$43,000	$56,730
Cider Mill	$0	$0	$0	$5,332,770	$0	$1,204,780	$6,537,550
Chevy Chase Lake	$189,679	$0	$0	$0	$0	$0	$0
Diamond Square	$118,703	$118,449	$118,190	$55,180	$5,910	$56,810	$117,900
Fairfax Court	$8,405	$12,965	$10,980	$9,130	$0	$0	$9,130
Glenmont Crossing Developemnt Corp.	$828,913	$828,913	$828,910	$577,760	$0	$251,160	$828,920
Glenmont Westerly Dev Corp.	$538,812	$538,812	$538,810	$380,440	$0	$158,370	$538,810
Greenhills	$39,975	$70,536	$17,250	$0	$0	$0	$0
Holiday Park	$101,563	$101,563	$101,560	$0	$0	$101,560	$101,560
Holly Hall	$0	$0	$0	$0	$0	$0	$0
KenGar	$17,288	$103,646	$103,500	$64,590	$7,820	$30,950	$103,360
Magruder's Discovery	$929,941	$929,054	$928,110	$667,440	$52,060	$207,600	$927,100
Manchester Manor	$0	$0	$169,030	$73,710	$7,140	$87,950	$168,800
McHome	$0	$0	$0	$0	$0	$0	$0
MetroPointe	$1,955,490	$1,953,405	$1,951,230	$1,335,340	$148,180	$465,430	$1,948,950
Metropolitan, The	$2,315,073	$2,312,100	$2,308,930	$1,493,560	$116,850	$695,140	$2,305,550
MHLP VII	$31,109	$30,531	$40,470	$29,270	$0	$0	$29,270
MHLP VIII	($140)	$0	$0	$0	$0	$0	$0
Montgomery Arms	$695,763	$690,111	$688,550	$339,550	$36,070	$311,560	$687,180
MPDU 2007 - Phase II	$0	$0	$0	$0	$0	$0	$0
MPDU I (64)	$229,658	$229,019	$228,340	$73,670	$6,180	$147,770	$227,620

Debt Summary By Fund (cont.)

	Total Debt Service			FY 2019 Adopted Budget			
Property Name	FY 2016 Actual	FY 2017 Actual	FY 2018 Amended	Interest Payments	Mortgage Insurance	Principal Payments	Total Debt Service
(cont.)							
TPM - MPDU II (59)	$12,294	$19,742	$0	$0	$0	$0	$0
The Oaks @ Four Corners	$285,118	$284,398	$283,630	$106,220	$9,760	$168,230	$284,210
Paddington Square	$1,167,605	$1,150,992	$1,167,610	$702,370	$89,800	$340,780	$1,132,950
Paint Branch	$0	$2,509	$0	$0	$0	$0	$0
Parkway Woods	$19,552	$117,219	$117,060	$73,040	$8,840	$35,000	$116,880
Pooks Hill High-Rise	$1,032,906	$1,030,893	$1,028,820	$511,830	$79,170	$435,670	$1,026,670
Pooks Hill Mid-Rise	$364,608	$364,608	$364,610	$99,370	$0	$198,740	$298,110
Sandy Spring Meadow	$43,713	$262,067	$261,700	$163,300	$19,760	$78,250	$261,310
Scattered Sites One	$567,155	$566,189	$565,090	$318,190	$40,190	$205,700	$564,080
Scattered Sites Two	$301,648	$271,307	$297,400	$159,860	$0	$109,000	$268,860
Seneca Ridge	$86,502	$518,599	$517,870	$323,160	$39,110	$154,840	$517,110
Shady Grove	$0	$0	$579,790	$229,060	$0	$326,910	$555,970
Sligo Hills/ MPDU III	$0	$0	$0	$0	$0	$0	$0
Southbridge	$120,411	$125,218	$125,220	$88,090	$0	$37,120	$125,210
Strathmore Court	$1,200,919	$1,195,735	$1,190,790	$693,460	$0	$492,710	$1,186,170
Tanglewood	$0	$0	$0	$0	$0	$0	$0
TPP - LLC - Pomander Court	$7,772	$23,988	$252,360	$83,690	$0	$24,450	$108,140
TPP - LLC - Timberlawn	$25,447	$70,392	$1,125,130	$673,190	$0	$196,650	$869,840
Towne Centre Place	$29,308	$175,708	$175,460	$109,490	$13,250	$52,460	$175,200
VPC One	$261,381	$428,371	$2,214,830	$813,900	$0	$677,310	$1,491,210
VPC Two	$17,224	$138,023	$1,599,600	$569,810	$0	$474,190	$1,044,000
Washington Square	$56,227	$337,093	$336,620	$210,060	$25,420	$100,650	$336,130
Westwood Tower	$1,970,670	$2,029,703	$2,029,880	$901,680	$0	$0	$901,680
Willows	$0	$0	$246,370	$98,490	$17,080	$141,260	$256,830
Total Opportunity Housing Fund	**$17,253,352**	**$18,808,869**	**$23,787,540**	**$18,051,280**	**$784,540**	**$8,542,110**	**$27,377,930**
Public Fund							
Public Housing	$0	$591	$0	$0	$0	$0	$0
Total Public Fund	**$0**	**$591**	**$0**	**$0**	**$0**	**$0**	**$0**
TOTAL AGENCY	**$35,407,982**	**$36,140,203**	**$43,449,060**	**$35,796,720**	**$787,240**	**$8,542,110**	**$45,126,070**

Agency Funds (As of June 30, 2018)

Shown below is the agency's projected income statement and impact on fund balance for all funds for FY 2019 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
Beginning Fund Balance: 6/30/17	**$35,244,867**	**$134,242,609**	**$20,657,132**	**$29,576,949**	**$27,925,624**	**$0**	**$247,647,181**
Revenue:							
Housing Assistance Payments (HAP)	$0	$0	$100,265,523	$0	$0	$0	**$100,265,523**
HAP administrative fees	$0	$0	$6,998,217	$0	$0	$0	**$6,998,217**
Other grants	$0	$0	$6,148,090	$0	$0	$0	**$6,148,090**
State and County grants	$0	$0	$15,116,301	$0	$0	$0	**$15,116,301**
Investment income	$0	$0	$0	$1,169,575	$3,275,607	$0	**$4,445,182**
Unrealized Gains (Losses) on Investment	$0	$0	$0	($509,370)	($2,418,811)	$0	**($2,928,181)**
Interest on mortgage & construction loans receivable	$0	$0	$0	$13,586,735	$3,712,803	($7,600,279)	**$9,699,259**
Dwelling Rental	$286,669	$75,834,560	$1,337,381	$0	$0	$0	**$77,458,610**
Management fees and other income	$21,319,270	$3,993,177	$5,234,500	$0	$0	($17,420,077)	**$13,126,870**
Total Operating Income	**$21,605,939**	**$79,827,737**	**$135,100,011**	**$14,246,940**	**$4,569,599**	**($25,020,356)**	**$230,329,871**
Expenses:							
Housing Assistance Payments	$0	$0	$102,470,927	$0	$0	$0	**$102,470,927**
Administration	$13,426,847	$17,088,681	$16,166,048	$1,835,639	$2,298,762	($6,998,015)	**$43,817,962**
Maintenance	$2,321,450	$15,684,475	$731,261	$0	$0	$0	**$18,737,186**
Depreciation and amortization	$857,352	$14,257,610	$455,986	$0	$0	$0	**$15,570,947**
Utilities	$190,978	$5,000,898	$698,753	$0	$0	$0	**$5,890,630**
Fringe benefits	$4,138,618	$2,630,067	$3,711,069	$184,318	$177,891	$0	**$10,841,963**
Interest Expense	$0	$15,537,072	$0	$11,652,124	$5,515,936	($9,977,900)	**$22,727,232**
Other	$922,954	$13,032,947	$9,486,590	$0	$79,782	($10,422,061)	**$13,100,212**
Total Operating Expenses	**$21,858,199**	**$83,231,750**	**$133,720,634**	**$13,672,081**	**$8,072,371**	**($27,397,976)**	**$233,157,059**
Operating Income (loss)	**($252,260)**	**($3,404,013)**	**$1,379,378**	**$574,859**	**($3,502,772)**	**$2,377,620**	**($2,827,189)**
Non-operating revenues (expense):							
Other Grants	$0	$192,661	$0	$0	$0	$0	**$192,661**
Investment income	$4,142,776	$586,720	$26,652	$0	$0	($2,377,620)	**$2,378,527**
Unrealized Gains (Losses) on Investment	$0	$13,552,016	($39,092)	$0	$0	$0	**$13,512,924**
Interest on mortgage & construction loans receivable	$63,490	$968,100	$0	$0	$0	$0	**$1,031,590**
Interest Expense	($2,543,362)	$0	$0	$0	$0	$0	**($2,543,362)**
Total Non-operating Income (Loss)	**$1,662,904**	**$15,299,497**	**($12,440)**	**$0**	**$0**	**($2,377,620)**	**$14,572,341**
Real Estate equity transfer in/(out)	**$0**	**$4,269,759**	**$0**	**$0**	**$0**	**$0**	**$4,269,759**
Capital Contributions	**$0**	**$1,434,796**	**$549,475**	**$0**	**$0**	**$0**	**1,984,271**
Operating transders in (out)	**$18,405,618**	**($4,880,680)**	**($13,524,938)**	**$0**	**$0**	**$0**	**($0)**
GASB 75 ADJ	**($31,345,040)**	**$0**	**$0**	**$0**	**$0**	**$0**	**(31,345,040)**
Ending Fund Balance: 6/30/18 est.	**$23,716,089**	**$146,961,968**	**$9,048,607**	**$30,151,808**	**$24,422,851**	**($0)**	**$234,301,323**
Estimated Change in Fund Balance	**($11,528,778)**	**$12,719,359**	**($11,608,525)**	**$574,859**	**($3,502,772)**	**($0)**	**($13,345,858)**
Budgeted Fund Balance: 6/30/19 est.	**$21,401,949**	**$149,276,108**	**$9,048,607**	**$33,182,282**	**$26,744,999**	**($0)**	**$239,653,945**
Budgeted Change in Fund Balance for FY 2019	**($2,314,140)**	**$2,314,140**	**$0**	**$3,030,474**	**$2,322,148**	**$0**	**$5,352,622**

* **General Fund:** The change in Fund Balance is a result of the implementation of GASB 75 Post-Employment Benefits Other Than Pensions. Public Fund: The change in Fund Balance is a result of operating transfers out of the Public Fund.

Public Fund: The change in Fund Balance is a result of operating transfers out of the Public Fund.

Single-Family Bond Fund: The change in Fund Balance is a result of an operating loss for the Fund due in part to unrealized losses.

Housing Opportunities Commission
OF MONTGOMERY COUNTY

Glossary

Glossary

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.

Administrative Fees

Revenue earned in the Housing Choice Voucher program based on the number of vouchers under contract the first of the month.

Administrative Plan (HCV Program)

Establishes policies for carrying out the Voucher programs in a manner consistent with HUD requirements and local goals and objectives contained in the Agency Plan.

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.

Admissions and Continued Occupancy Policy (ACOP)

Defines the policies for the operation of HOC's Public Housing Program, incorporating Federal, State and local law.

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 2018 area median income is $117,200 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.

Designated Plan

In 1995, HUD approved HOC's plan to designate its 3 Senior Housing properties as Senior Only.

Designated Plan Vouchers

In 1998 and 2000, HOC received housing vouchers classified as Designated Plan Vouchers which are used to provide assistance to Non-Elderly Disabled persons selected from the Public Housing Waiting list who cannot be served in HOC's Designated Senior Only properties.

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.

Electronic Funds Transfer

An electronic form of fund disbursement or payment.

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.

Flexible Subsidy Program (Section 201)

The Flexible Subsidy Program is part of HUD's effort to preserve affordable housing developed under federal government programs. It provides loans to owners of troubled federally assisted low-and moderate-income multifamily rental projects. It has two components: The Operating Assistance Program (OAP) provides temporary funding to replenish project reserves, cover operating costs and pay for limited physical improvements; The Capital Improvement Loan Program (CILP) pays for the cost of major repairs or replacement of building components that cannot be funded out of project reserves. Both components are designed to help restore the properties' physical and financial soundness in order to maintain the use of the property for low- and moderate-income persons. The program allows rents to remain affordable.

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.

HCV Program Utilization

The variance of vouchers under contract verses a determined HUD baseline, or the variance of HAP expenditures verses HAP funding.

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.

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 Finance Agency (HFA)

A state agency which offers a limited amount of below-market-rate home financing for low-and 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 Initiative Program (HIP)

Montgomery County and DHHS program designed to reduce the incidence of homelessness in the county by providing permanent supportive housing.

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.

Housing Quality Standards (HQS)

HUD criteria establishing the minimum quality necessary for the health and safety of program participants.

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.

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 3rd 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.

Low Income Public Housing (LIPH—see Public 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.

Minority/Female/Disabled (MFD)

HUD regulation requiring affirmative action be taken to recruit and advance qualified minorities, women, persons with disabilities, and covered veterans.

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.

Net Operating Income (NOI)

The monetary result of subtracting operating expenses from Gross Operating Income.

Non-Elderly Disabled Housing

Housing Choice Voucher allocation to be used to provide housing assistance to the Non-Elderly Disabled population.

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.

Opt-Out

A voluntary action taken by a property owner of not renewing a long standing funding contract with HUD, usually results in Enhanced or Opt-Out Vouchers for clients affected by the action.

Opt-Out Vouchers

Also known as conversion vouchers, provide assistance to families living in section 8 projects for which the owner is opting out of the Housing Assistance Payment contract. HUD will allocate HOC tenant-based vouchers for the families that are affected by the opt-out if the family meets all other program requirements. HOC will administer these vouchers as part of its larger tenant-based program.

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.

Project Based Vouchers (PBV)

Rental assistance for eligible families who live in specific housing developments or units.

Property Assessment Tool (PAT)

Application allowing the Agency to accurately assist in evaluating and optimizing the portfolio based on actual performance data.

Public Housing

A federally funded HUD program established to provide decent and safe rental housing for eligible low-income families, the elderly, and persons with disabilities. 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 Assessment Tool (PHAS)

HUD system designed to measure the management performance of all Public Housing Authorities.

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.

Request for Proposal (RFP)

Solicitation made, often through a bidding process, by an agency or company interested in procurement of a commodity or service.

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.

Rental Housing Works (RHW)

DHCD program providing funding for up to 20 affordable housing projects and support for more than 1,100 jobs.

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 that uses an interest rate subsidy to provide affordable rents to low-income households. The Federal subsidy is in the form of mortgage insurance and an interest reduction payment to the owners of the properties. Property owners in this program make mortgage payments that are based on a 1% mortgage interest rate. HUD then provides a subsidy to their lender to cover the difference between 1% and the market interest rate on the property's loan. Eligible households are required to pay rent equal to the greater of 30% of their adjusted annual income (not to exceed the market rent), or the basic rent amount set by HUD for that particular property. Any amount paid by the household that is more than basic rent is considered excess rent, which the owner usually pays back to HUD in repayment of the subsidy.

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.

Sectional Map Amendment (SMA)

A comprehensive rezoning, initiated by the Planning Board or County Council, covering a section of the County and usually including several tracts of land.

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.

Single Room Occupancy (SRO)

A form of housing in which one or two people are housed in individual rooms within a multiple-tenant building.

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

The Turnkey program is an old HUD program that enabled a potential "homebuyer" to lease the unit while building equity. The family pays 30% of their income as rent and a portion of the payment is placed in various escrow accounts to be used towards purchase. The premise is that, overtime, the HUD Loan amortizes, incomes go up, and equity builds, allowing the house can be purchased.

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.

VASH

Veterans Affairs Supportive Housing program, an allocation of Housing Choice Vouchers used in conjunction with the Department of Veterans Affairs.

Volume Bond Cap (See Bond Cap)

Voucher Management System (VMS)

HUD system to provide a central system to monitor and manage the Public Housing Agencies use of vouchers.

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
ACH	Automated Clearing House
ACOP	Admissions and Continued Occupancy Policy
ADA	The Americans with Disabilities Act
AGP	Annual Growth Policy
ARRA	American Recovery and Reinvestment Act
AWOR	Acquisition Without Rehabilitation
CDBG	Community Development Block Grant
CFP	Capital Fund Program
CIP	Capital Improvements Program
COI	Cost of Issuance
COLA	Cost of Living Adjustment
CY	Calendar Year
DBED	Department of Business and Economic Development
DHCA	Department of Housing and Community Affairs
DHCD	Department of Housing and Community Development
DHHS	Department of Health and Human Services of Montgomery County
EEO	Equal Employment Opportunity
EHO	Equal Housing Opportunity

Frequently Used Acronyms (cont.)

EIV/UIV	Enterprise Income Verification (EIV)/Upfront Income Verification (UIV)
FHA	Federal Housing Administration
FMR	Fair Market Rent
FSS	Family Self Sufficiency
FTE	Full Time Equivalent - See WY
FUP	Family Unification Program
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GIC	Guaranteed Investment Contract
GIS	Geographical Information System
HALF	Homeownership Assistance Loan Fund
HAP	Housing Assistance Payments
HCV	Housing Choice Voucher Program
HFA	Housing Finance Agency
HIF	Housing Initiatives Fund
HIP	Housing Initiative Program
HK4E	House Keys for Employees
HO&C	Housing Opportunities and Concepts
HOC	Housing Opportunities Commission
HOC/HOP	HOC Home Ownership Program
HOPWA	Housing Opportunities for Persons with HIV/AIDS
HQS	Housing Quality Standards
HRS	Housing Resource Service
HUD	Department of Housing and Urban Development
IT	Information Technology
LIHTC	Low Income Housing Tax Credit
LIPH	Low income Public Housing
LMRC	Labor Management Relations Committee
MAP	Multifamily Accelerated Processing
MBS	Mortgage Backed Securities
MCGEO	Municipal and County Government Employees Organization
MFD	Minority/Female/Disabled
MHDB	Multifamily Housing Development Bond
MPDU	Moderately Priced Dwelling Unit
MPP	Mortgage Purchase Program
MRB	Mortgage Revenue Bond
NAHRO	National Association of Housing and Redevelopment Officials
NOI	Net Operating Income
NSP	Neighborhood Stabilization Program
OCAF	Operating Cost Adjustment Factor
OHRF	Opportunity Housing Reserve Fund
PAT	Property Assessment Tool
PBV	Project Based Voucher
PHAS	Public Housing Assessment System
PHMAP	Public Housing Management Assessment Program
PIC	HUD Public and Indian Housing Information Center
PILOT	Payment in Lieu of Taxes
PLQ	Personal Living Quarters
PRHP	Partnership Rental Housing Program
RAB	Resident Advisory Board
RAD	Rental Assistance Demonstration
RAP	Rental Allowance Program
REAC	Real Estate Assessment Center
RED	Real Estate Development
RFP	Request for Proposal
RfR	Replacement for Reserves
RHPP	Rental Housing Production Program
RHW	Rental Housing Works
RIF	Reduction in Force
ROSS	Resident Opportunities Self Sufficiency
RUIT	Rent, Utilities, Insurance, and Taxes
SEMAP	Section Eight Management Assessment Program
SFMPP	Single Family Mortgage Purchase Program

Frequently Used Acronyms (cont.)

SMA	Sectional Map Amendment
SRO	Single Room Occupancy
TCLP	Temporary Credit and Liquidity Program
TEMHA	Transitional, Emergency, Medical and
/RAP	Housing Assistance/Rental Allowance Program
TIP	Tenant Integrity Program
UPCS	Uniform Physical Condition Standards
VASH	Veterans Affairs Supportive Housing
VAWA	Violence Against Women Act
VMS	Voucher Management System
WY	Work Year

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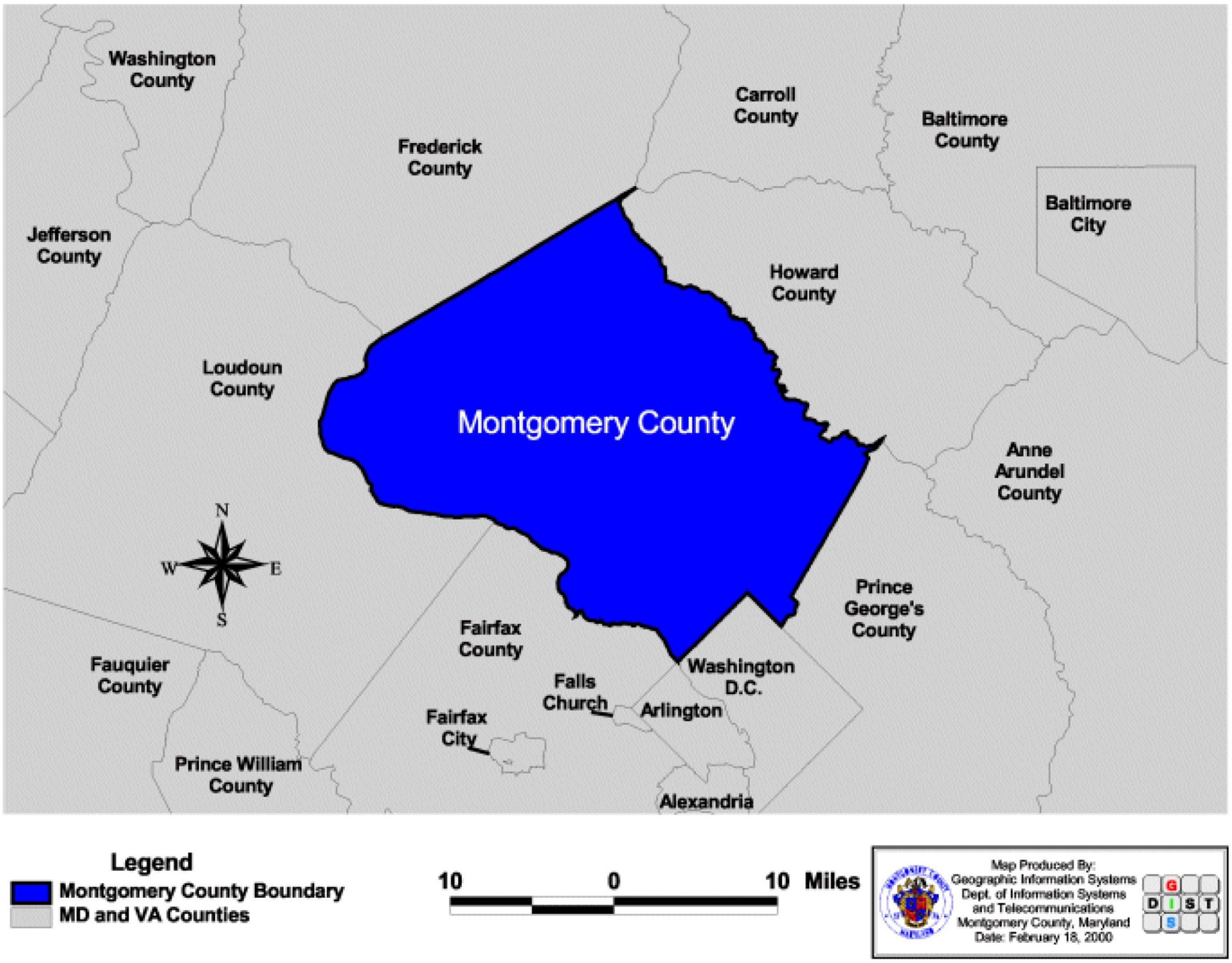
Map

Montgomery County, MD and Vicinity



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