



Adopted Budget Fiscal Year 2018



GOVERNMENT FINANCE OFFICERS ASSOCIATION

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

For the Biennium Beginning

July 1, 2014

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the Housing Opportunities Commission of Montgomery County for its annual budget for the fiscal year beginning July 1, 2014.

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

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

Budget Message

Adopted Budget
June 7, 2017

From Stacy L. Spann, Executive Director

The FY 2018 HOC Budget reflects the urgency of the work at hand – reducing the gap between affordable housing needs and supply, connecting vulnerable families to education and job training opportunities, and maintaining a focus on portfolio investment to ensure quality affordable housing remains available for the long term. HOC has accomplished what was once considered impossible –repositioning its last remaining former public housing real estate sites, transitioning the entire portfolio to a more sustainable model, embarking on affordable housing development in some of the most amenity rich communities the county has to offer, and enhancing service delivery to support current and future customers. This time last year, affordable housing in Chevy Chase was still a notion. At the start of fiscal year 2018, construction of a new 200 apartment building is underway nestled within a community with real income diversity. HOC has accomplished all of this while eliminating its reliance on Public Housing’s unpredictable federal funding stream in favor of a more stable funding platform.

As an agency, HOC assessed the challenges that needed to be confronted and faced them head-on to find new, innovative and more efficient ways to serve its customers. In order to continue to meet these challenges, HOC must create its own path forward. The Agency has recognized the need to, re-position, re-invent and re-imagine how it meets the affordable housing needs for

the approximately 14,500 families we serve - families that depend on our efforts every day, as well as the over 30,000 individuals currently on the waiting list.

To accomplish this, HOC has re-positioned its real estate portfolio, and continues to invest its resources in a way that will ultimately increase the overall supply of affordable units in Montgomery County. Over the last four years, HOC’s work has ensured that affordable housing resources across Montgomery County reflect quality housing options worthy of the region and the Agency’s customers. HOC has pushed the boundaries of what it means to provide affordable housing and received national recognition for having done so. The National Association of Local Housing Finance Agencies (NALHFA) presented HOC with its Innovation in Multi-Family Finance Award. The agency is increasing the value of its assets and, most importantly, providing residents with a modern, comfortable place to call home.

The continued success of this effort relies on focused and disciplined property management and property maintenance efforts. As new and rehabilitated housing is brought on line, the Property Management team is critical in ensuring that the useful life is maximized and that the Agency liaises with its residents to provide the proper support. To better augment our efforts, Property Management and Property



Special points of interest:

“The FY 2018 HOC Budget reflects the urgency of the work at hand – reducing the gap between affordable housing needs and supply, connecting vulnerable families to education and job training opportunities, and maintaining a focus on portfolio investment to ensure quality affordable housing remains available for the long term.”

Maintenance have been organized as two separate divisions. HOC is redoubling its efforts in the areas of property management and maintenance to make certain that the investments made ensure the long-term availability of these affordable housing assets in service to Montgomery County residents.

By unlocking the potential of HOC's real property assets, HOC is investing in properties as well as providing better service to customers. Simply placing a roof over a customer's head is only one part of the equation. As an agency, HOC works diligently to ensure that every customer living in our properties has a quality place to call home – excellent amenities doesn't stop at their unit door, it includes their customer service experience. Beyond the persons who call HOC properties home, nearly 7,000 households are served through the Housing Choice Voucher program, and another 33,000 are pre-applicants on HOC's HousingPath Wait List. Each and every one deserves accurate, timely information and excellent customer service. Toward that end, HOC is creating a new call center and Customer Relationship Management system to improve the overall customer service whether someone is housed or waiting to be housed through HOC's affordable housing resources.

HOC also had to re-imagine client and resident services and how the agency assists customers who are working hard to reach their vision of success for their families, by extending access to greater opportunities through employment training, educational access, internet connectivity and by unlocking opportunity wherever there is a closed door. Given the number of customers on the wait list, HOC is also examining every opportunity to extend information, resources and some resident services wherever resources allow.

Through HOC Academy, HOC aims to improve educational outcomes for its customers by partnering with nonprofit organizations, schools, and other agencies to ensure stronger connections to high-quality early learning programs, effective adult education and workforce training, as well as broadband internet, and other technology. HOC Academy gives clients the tools and training to take an active role in improving their future and their family's future.

Another example of how HOC leverages its resources to invest in the lives of residents is HOC Works. With this effort, the agency leverages its economic engine to ensure job-training, employment and contracting opportunities are provided to our customers. Historically, similar efforts have been used to ensure statutory compliance under the Public Housing program, often referred to as Section 3. While born out of necessity, HOC Works goes further. Currently, HOC has few statutory obligations under Section 3 given the conversion of public housing under RAD, and none by the end of FY 2018. However, HOC Works is expanding.

HOC spent 2015, 2016 and 2017 re-positioning its real estate for the long term, re-inventing how it serves, and re-imaging how it creates greater access to opportunity for its customers. HOC could not serve its customers and the residents of Montgomery County, some of whom are among the most vulnerable in this community, without the passion and commitment of all of its partners and volunteers. Vital to this work is the leadership of its Commissioners and the hard work of each and every HOC staff member - all in service to families and individuals who are at risk in this community.

FY 2017 continued to propel HOC's mission forward as an agency. However, we cannot be satisfied. We will explore new ways to breathe new life and new energy into our work. Our ability to do so will require the on-going support of the Montgomery County Executive and County Council. To that end, HOC looks forward to working collaboratively to address the affordable housing needs of this community.



Budget Highlights

Adopted Budget
June 7, 2017

FY 2018 Budget Highlights

Real Estate Development

During FY 2018, 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 two basic principles: revitalization and regeneration. The HOC's revitalization efforts will continue its 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.

In FY 2016, HOC converted its eighth and ninth 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. With the 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. As 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 2018), HOC has effectively stabilized its 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. 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 began in FY 2017. This renovation is the first phase HOC's Elizabeth Square project – the redevelopment of an entire downtown block of Silver Spring. The first of two new-construction phases (which are the second and third overall phases) of the redevelopment will begin in FY 2018.

In FY 2018, 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 Year 15 property to undergo redevelopment will be Stewartown.

HOC expects to start a second new construction project – 900 Thayer – in the first quarter of FY 2018. The land at 900 Thayer was purchased fully entitled for 124 multifamily units during FY 2016. With the usually two-to-three year process of entitlement already complete, the Commission will be able to place the 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 900 Thayer 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 2018, 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 twenty-to-thirty years).

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 resyndication and renovation of some of the Year 15 properties, the two new construction starts, and several other related renovations, will generate approximately \$4.5 million in expected development fees in FY 2018.

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, KenGar 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 2018 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)). The Commission will execute its first two FFB/FHA transactions in FY 2017, a third in FY 2018, and will offer the program to private developers. It expects to issue its first commitment to a private developer under the program in FY 2018.

In FY 2018, the Multifamily Program will continue to contribute Commitment Fees, Loan Management Fees, and other overhead revenue to the Agency's Operating Budget. The next fiscal year will continue to present challenges: 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 \$2.2 million in Commitment Fees in FY 2018.

In the Single Family Program, the housing market has shown signs of improvement reflected in increased property values and resale prices, and shorter time periods on the market. However, delinquencies and foreclosures continue to plague the sector, despite the downward trend.

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, during July of 2014, Fannie Mae approved the Commission's participation in its HFA Preferred MBS program. 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 June 2016, the Single Family Program completed a bond issuance that included the redemption of \$23.7 million of single family mortgage revenue bonds and \$20.2 million in new monies to purchase MBS's, which will be backed by below market interest rate mortgage loans for first-time homebuyers. These funds will be available to first-time homebuyers in the coming fiscal year.

In FY 2018, the Single Family Program is expected to continue to operate completely in the MBS secondary market. For FY 2018 one (1) single family bond issuance is anticipated and will generate approximately \$20 million of new monies to purchase MBS's or make mortgage loans. Two redemptions will be completed in FY 2018 totaling approximately \$20 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. 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 analyses to evaluate property performance.

The Maintenance Department 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 will supervise and coordinate all HUB maintenance operations, fire and safety programs, and equipment inventory control and ensure that the condition and appearance of the properties meet HOC standards.

Federally Funded Programs – Housing Choice Voucher and Public Housing

As Montgomery County's Public Housing Authority, HOC administers a Housing Choice Voucher (HCV) Program and owns and manages Public Housing properties. HOC is authorized to provide 7,174 vouchers and manages 263 Public Housing units. Some of the units are in clustered family communities, some are in mid- and high-rise buildings which house seniors, and some apartments, townhouses and single family homes are scattered throughout the County.

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. Additionally, HOC supports a Voucher Homeownership program which allows eligible voucher clients to use their voucher subsidy towards mortgage payments. The FY 2018 Adopted Budget was developed based on current utilization projections for FY 2017 and the preliminary funding levels provided by HUD for

CY 2017 which establishes a funding level for FY 2018 of \$78.1 million assuming a 94.5% pro-ration of HAP. 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 2016 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 are expected to transition over the next two years.

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 amount of HUD funding falls short of what is required. The FY 2018 Budget was based on an 85% appropriation of eligibility and anticipates HOC will receive approximately \$769 thousand for FY 2018. The FY 2018 Adopted Budget also

includes funding from Montgomery County via the County Main Grant to help offset rising utility and Home Owner Association (HOA) Fees.

HUD also provides funding for capital improvements of the units. The FY 2018 budget anticipates HOC will receive an award of almost \$281 thousand for FY 2018 from the Capital Fund Program to address these needs. In addition, Montgomery County has provided funding for capital improvements for the past several years.

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 \$6.5 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 2018, the County Executive's Adopted Capital Improvement Program includes \$1.25 million in 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.

One program offered through HOC Academy is the 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. 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. HOC's Fatherhood Initiative program kicked off in June 2016.

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 \$30,000. 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.

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FY 2018 Adopted Budget

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Reader's Guide

Adopted Budget
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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.

Page i Executive Director's Budget Message

The Budget Message addresses the challenges the Agency faces as we move from FY 2017 to FY 2018.

Page v Budget Highlights

Page xiii Budget Overview

This section includes:

- Overview – Revenue and Expense Summary
- Fund Structure
- Agency Fund Description
- Budget Process
- Overview – Strategic Plan
- Operating Budget
- FY 2018 Revenue and Expense Statement

Page 1-1 Budget Summary Information

This section includes:

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

Page 2-1 Operating Budget

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

- Mission Statement
- Description

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

Page 3-1 Capital Budget

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

Page 5-1 Appendix

Program History

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

Units

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

Glossary

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

Map

Map of Montgomery County, MD, and Vicinity

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Budget Overview

Adopted Budget
June 7, 2017

Overview—Revenue and Expense Summary

Fund Summary Overview	FY 2017 Adopted Budget		
	Revenues	Expenses	Net
General Fund	\$23,325,780	\$23,229,890	\$95,890
Restrict to GFOR	\$0	\$1,713,200	(\$1,713,200)
Multifamily Bond Funds	\$20,071,620	\$20,071,620	\$0
Single Family Bond Funds	\$12,990,380	\$12,990,380	\$0
Opportunity Housing Fund			
Opportunity Housing Reserve Fund (OHRF)	\$5,584,920	\$1,125,680	\$4,459,240
Draw from OHRF	\$0	\$0	\$0
Restrict to OHRF	\$0	\$4,459,240	(\$4,459,240)
Opportunity Housing & Development Corporation Properties	\$73,474,780	\$72,100,810	\$1,373,970
Draw from GFOR for MetroPointe Deficit	\$243,340	\$0	\$243,340
Public Fund			
Public Housing Fund	\$1,642,430	\$1,843,520	(\$201,090)
County Contributions towards Public Housing	\$201,090	\$0	\$201,090
Housing Choice Voucher Program (HCVP)	\$90,842,770	\$91,598,210	(\$755,440)
County Contributions towards HCVP Administration	\$755,440	\$0	\$755,440
Federal, State and County Grants	\$15,393,440	\$15,393,440	\$0
TOTAL - ALL FUNDS	\$244,525,990	\$244,525,990	\$0

Fund Summary Overview	FY 2018 Adopted Budget		
	Revenues	Expenses	Net
General Fund	\$23,478,691	\$24,033,069	(\$554,378)
Restrict to GFOR	\$0	\$884,963	(\$884,963)
Multifamily Bond Funds	\$18,215,845	\$18,215,845	\$0
Single Family Bond Funds	\$11,590,715	\$11,590,715	\$0
Opportunity Housing Fund			
Opportunity Housing & Development Corporation Properties	\$71,985,415	\$70,826,426	\$1,158,989
Draw from GFOR for MetroPointe Deficit	\$280,352	\$0	\$280,352
Opportunity Housing Reserve Fund (OHRF)	\$4,042,390	\$1,177,356	\$2,865,034
Restrict to OHRF	\$0	\$2,865,034	(\$2,865,034)
Public Fund			
Public Housing Rental	\$1,435,202	\$1,791,192	(\$355,990)
County Contributions towards Public Housing	\$267,281	\$0	\$267,281
Draw from Existing Property Cash	\$88,709	\$0	\$88,709
Restricted to Public Housing Reserves	\$0	\$0	\$0
Public Housing Homeownership	\$66,324	\$83,866	(\$17,542)
Draw from restricted to Public Housing Reserves	\$17,542	\$0	\$17,542
Housing Choice Voucher Program (HCVP)	\$88,377,924	\$89,159,245	(\$781,321)
County Contributions towards HCVP Administration	\$781,321	\$0	\$781,321
Federal, State and County Grants	\$17,082,562	\$17,082,562	\$0
TOTAL - ALL FUNDS	\$237,710,273	\$237,710,273	\$0

Fund Structure

This section summarizes the Agency's FY 2018 Adopted Operating Budget by funding source. The Commission can review its complex finances in four different ways:

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

The Housing Opportunities Commission will approve the FY 2018 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 70% of HOC's revenue sources for FY 2018 and can better analyze the relationship between the budget and the Agency's year-end financial statements. The five Funds are:

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

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

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

The **Public Fund**, which includes all funds the Agency receives from Federal, State and County government agencies. This fund structure assists with the A-133 report for the Federal single audit for all Federal expenditures during a given year. All public funds are restricted based on 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	State & County Rent Subsidies	Federal Subsidies & Grants	Financing Fees
Interest Income	Private Grants	State Grants	Cost of Issuance Fees
Management Fees	Interest Income	County Grants	
Asset Management Fees	Miscellaneous Income	Interest Income	
Private Grants			
Miscellaneous Income			
Insurance Premiums			
Uses			
Executive	Opportunity Housing Properties	Public Housing Properties	Multifamily Mortgage Finance
Finance	Opportunity Housing Capital Improvements	Public Housing Capital Improvements	Single Family Mortgage Finance
Real Estate	Capital Development Projects	Housing Resources	Debt Service on Bonds
Legislative & Public Affairs	Opportunity Housing Reserve Fund (OHRF)	Resident Services	
Housing Management Admin.	Development Corporation Properties		
Tax Credit Development	Development Corporation Capital Improvements		
Master Lease Payments	Homeownership Revolving Loan Funds		
Facilities & IT Capital Needs	Mortgage Payments		
Vehicle Replacement	Required Reserve Contributions		
Insurance Reserve Contributions			
Project / Grant funds included in each Agency Fund			
General	Opportunity Housing Properties	Public Housing Rental	Multifamily Bonds
Intra-Agency Allocations	Development Corporation Properties	Public Housing Homeownership	Single Family Bonds
Private Grants & Loans		Capital Fund Program	Intra-Agency Debt Service
General Partnerships		Housing Choice Voucher Programs	
		Housing Choice Voucher Special	
		McKinney Grants	
		Other Federal Grants	
		Federal Pass-Through Grant	
		County Main Grant	
		Other County Grants & Loans	
		State Grants	

Basis for Budgeting

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

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

Budget Adoption and Amendment

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

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

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

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

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

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

Executive Director's Budget Authorization

The Executive Director is:

1. Responsible for keeping the budget in balance for each major fund in the operating budget.
2. Responsible for ensuring that there are sufficient sources of funds for each capital project budget.
3. Authorized to spend, without prior approval from the Commission, more than authorized in any major fund or for any specific capital project ONLY for one or more of the following reasons:
 - a. The increased uses are directly related and tied to increased funding for an existing program, activity, property or project (i.e., additional Housing Choice Voucher HAP payments),
 - b. The increased uses are directly related to a new or refinanced property and there is sufficient funding for the increased uses, or
 - c. There is an emergency.
4. Authorized to reallocate budgets within each major fund among divisions in response to unforeseen circumstances. The Executive Director may reallocate budget authorization within a major fund ONLY if one of the following occurs:
 - a. No new programs, activities, properties, or projects not approved by the Commission are started if such an effort has a continuing

effect on resource allocation requirements in future years,

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

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

Reporting

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

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

Conclusion

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

Public Participation in the Budget Process

As a public corporation, the Housing Opportunities Commission is committed to involving citizens in the Agency's programs. The agenda for all meetings of the Commission is posted on the Agency's website at www.hocmc.org. 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).

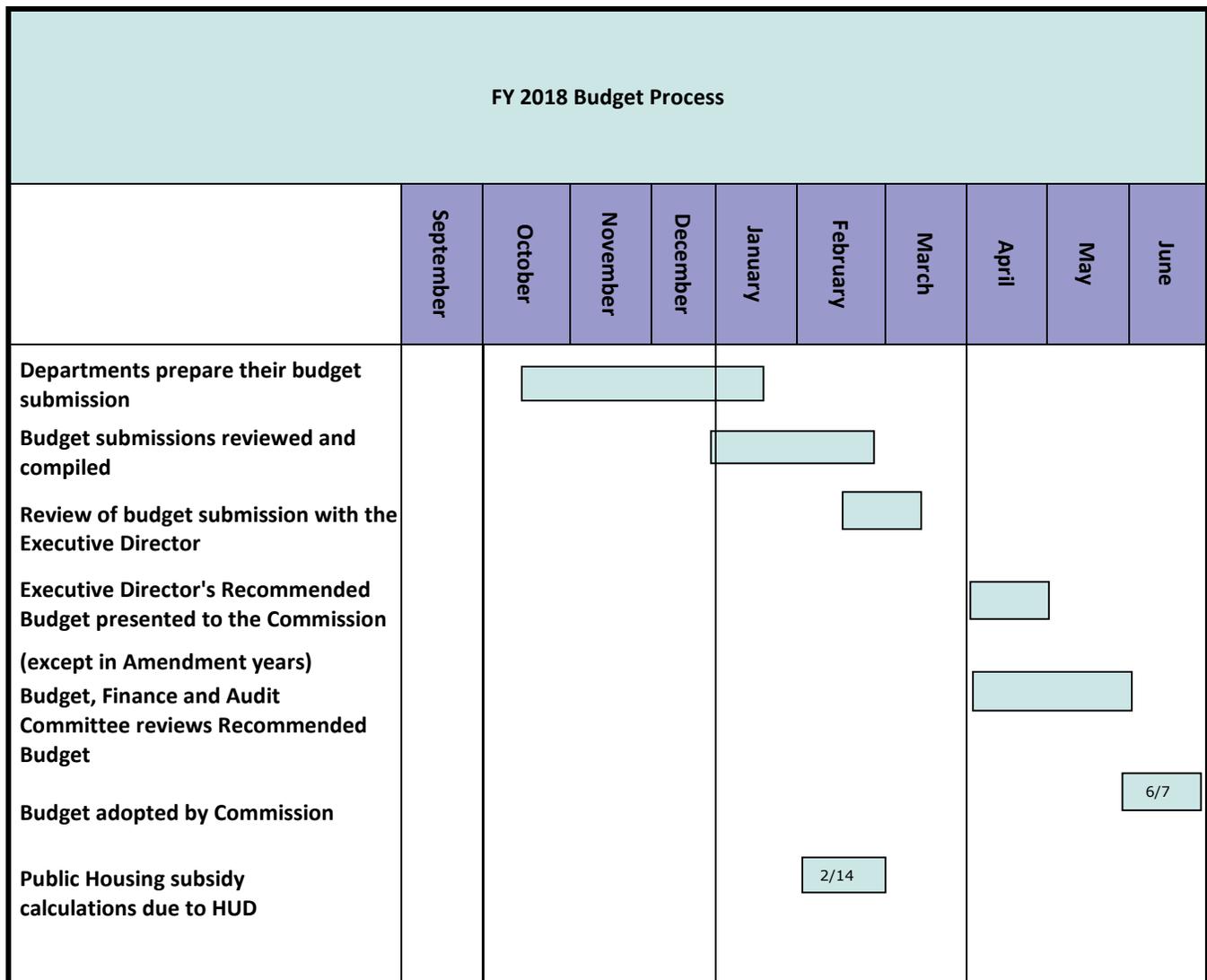
Budget Calendar—FY 2018

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 2018 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 and the Executive Management Team review past practices and develop strategies to address the affordable housing needs of Montgomery County.

HOC's 2013 – 2017 strategic plan continues to serve as the organization's roadmap – providing a clearly defined vision and ensuring financial and human resources remain prioritized. Looking back over the previous budget cycle, our success has been clear and *consistent* with the vision set out in the last strategic plan. HOC's Board of commissioners approved the current Strategic Plan at the June 6, 2012 Commission meeting. In March 2017, the Commission and staff began development of the next 5-year Strategic Plan.

The 2013-2017 Strategic Plan represents a departure from previous HOC Strategic Plans. 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.

In addition to these elements, the 2013-2017 Strategic Plan includes descriptions of HOC's strategic direction in terms of its organizational culture and business practices.

It concentrates HOC's efforts on developing and implementing solutions to the problem of meeting the County's ever-expanding need for affordable

housing. Specifically, the plan lays out four strategic objectives for HOC, which are to:

- Communicate a vision of HOC as a real estate company that provides superior housing and services to residents in a wide range of market segments.
- Expand approach and ability to develop mixed-income housing with an emphasis on amenity-rich, larger scale properties that are environmentally and financially stable.
- Develop a strategic plan of social service delivery.
- Broaden government relations activity to improve the legislative and regulatory environment to remove barriers and promote progressive change in the housing arena.

Operating Budget—FY 2017 Adopted

HOC adopted an operating budget for FY 2017 of \$244.5 million on June 17, 2016. Revenues are generated in two ways:

- Grants, other funding sources, and the cash flow from HOC properties generate 84.14% of total revenues.
 - \$73.5 million (30.91%) is from property rents and service income.
 - \$105.5 million (43.14%) is from Federal, State and County grants.
 - \$95.7 million (39.12%) is from Federal grants, which includes \$84.7 million in HUD Housing Choice Voucher Assistance Payments that are passed through to Montgomery County landlords, for which HOC earns administrative fees.
 - \$9.6 million (3.95%) is from grants from Montgomery County for specific activities,

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

- \$0.2 million (.07%) is from various State grants.
 - \$26.7 million (10.92%) is from management fees and miscellaneous income.
- Non-operational income derived from HOC's bond-financing operation, real estate financing fees and interest earned on investments generate 15.86% of total revenues.
 - \$30.1 million (12.31%) is from mortgage interest income which pays the debt service on HOC housing revenue bonds and interest earned on cash investments.
 - \$8.7 million (3.55%) is from miscellaneous bond financing operations and transfers between funds.

FY 2017 Adopted Revenue and Expense Statement

Operating Budget		Non-Operating Budget	
Operating Income		Non-Operating Income	
Tenant Income	\$72,402,210	Investment Interest Income	\$30,105,690
Non-Dwelling Rental Income	\$1,151,530	FHA Risk Sharing Insurance	\$497,300
Federal Grant	\$95,662,560	Transfer Between Funds	\$8,176,450
State Grant	\$174,100		
County Grant	\$9,654,500		
Management Fees	\$26,596,960		
Miscellaneous Income	\$104,690		
TOTAL OPERATING INCOME	\$205,746,550	TOTAL NON-OPERATING INCOME	\$38,779,440
Operating Expenses		Non-Operating Expenses	
Personnel Expenses	\$39,991,500	Interest Payment	\$34,855,220
Operating Expenses - Fees	\$13,982,480	Mortgage Insurance	\$993,950
Operating Expenses - Administrative	\$7,260,980	Principal Payment	\$7,510,600
Tenant Services Expenses	\$5,509,330	Debt Service, Operating and Replacement Reserves	\$13,002,140
Protective Services Expenses	\$598,450	Restricted Cash Flow	\$10,211,170
Utilities Expenses	\$4,861,170	Development Corporation Fees	\$7,691,330
Insurance and Tax Expenses	\$1,470,340	Miscellaneous Bond Financing Expenses	\$943,560
Maintenance Expenses	\$6,643,240	FHA Risk Sharing Insurance	\$497,300
Housing Assistance Payments (HAP)	\$84,769,110	Transfer Out Between Funds	\$3,734,120
TOTAL OPERATING EXPENSES	\$165,086,600	TOTAL NON-OPERATING EXPENSES	\$79,439,390
NET OPERATING INCOME	\$40,659,950	NET NON-OPERATING ADJUSTMENTS	(\$40,659,950)

Operating Budget—FY 2018 Adopted

HOC adopted its FY 2018 operating budget on June 7, 2017; the adopted budget totals \$237.7 million. Revenues are generated in two ways:

- Grants, other funding sources, and the cash flow from HOC properties generate 83.65% of total revenues.
 - \$72.3 million (30.47%) is from property rents and service income.
 - \$101.7 million (42.80%) is from Federal, State and County grants.
 - \$90.6 million (38.15%) is from Federal grants, which includes \$82.5 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 (4.58%) is from grants from Montgomery County for specific activities,

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

- \$0.2 million (.07%) is from various State grants.
 - \$24.6 million (10.37%) is from management fees and miscellaneous income.
- Non-operational income derived from HOC's bond-financing operation, real estate financing fees and interest earned on investments generate 16.34% of total revenues.
 - \$26.8 million (11.27%) is from mortgage interest income which pays the debt service on HOC housing revenue bonds and interest earned on cash investments.
 - \$12.1 million (5.07%) is from miscellaneous bond financing operations and transfers between funds.

FY 2018 Adopted Revenue and Expense Statement

Operating Budget		Non-Operating Budget	
Operating Income		Non-Operating Income	
Tenant Income	\$71,047,994	Investment Interest Income	\$26,779,909
Non-Dwelling Rental Income	\$1,396,724	FHA Risk Sharing Insurance	\$755,284
Federal Grant	\$90,696,864	Transfer Between Funds	\$11,311,663
State Grant	\$180,084		
County Grant	\$10,887,685		
Management Fees	\$24,602,194		
Miscellaneous Income	\$51,872		
TOTAL OPERATING INCOME	\$198,863,417	TOTAL NON-OPERATING INCOME	\$38,846,856
Operating Expenses		Non-Operating Expenses	
Personnel Expenses	\$40,922,974	Interest Payment	\$33,007,139
Operating Expenses - Fees	\$15,856,158	Mortgage Insurance	\$1,183,167
Operating Expenses - Administrative	\$7,096,575	Principal Payment	\$8,315,318
Tenant Services Expenses	\$6,735,513	Debt Service, Operating and Replacement Reserves	\$8,561,124
Protective Services Expenses	\$560,523	Restricted Cash Flow	\$9,219,399
Utilities Expenses	\$4,833,162	Development Corporation Fees	\$7,044,000
Insurance and Tax Expenses	\$1,583,477	Miscellaneous Bond Financing Expenses	\$341,553
Maintenance Expenses	\$6,551,018	FHA Risk Sharing Insurance	\$755,284
Housing Assistance Payments (HAP)	\$82,544,136	Transfer Out Between Funds	\$2,599,763
TOTAL OPERATING EXPENSES	\$166,683,536	TOTAL NON-OPERATING EXPENSES	\$71,026,737
NET OPERATING INCOME	\$32,179,881	NET NON-OPERATING ADJUSTMENTS	(\$32,179,881)

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Summary

Mission and Vision Statements

Mission

- To provide affordable housing and supportive services.

Vision

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

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

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

Special points of interest:

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

Strategic Plan Goals

Communicate a vision of HOC as a Real Estate Company that provides superior housing and services to residents in a wide range of market segments.

HOC will develop outreach and marketing strategies to transform the perception of HOC from a provider of subsidized housing to a state of the art real estate company with a social mission. Integral to that effort is conveying the message that HOC's business activities support its mission to serve lower income families and

individuals.

Implementation Actions:

- Execute a communications plan to convey a new vision of HOC.
- Establish and create an identity for specific properties separate and distinct from HOC by creating property-specific websites and marketing materials.
- Promote HOC's mixed income strategy as a vehicle that can generate market-rate revenue to subsidize deeper affordability throughout its portfolio.

- Strive to generate more revenue and eliminate capital backlog in our Public Housing portfolio.
- Deepen and realign partnerships consistent with a new vision of HOC.
- Strengthen HOC's relationships with homeowners associations (HOAs) and community groups.
- Create a positive experience for the public by providing excellent customer service at every opportunity.

Expand approach and ability to develop mixed-income housing with an emphasis on amenity-rich, larger scale properties that are environmentally and financially stable.

HOC will create new approaches to acquire and develop housing by aggressively prospecting for opportunities, building partnerships, and identifying alternative sources of equity.

Implementation Actions:

- Develop a vision for an optimal mix of housing types and locations.
- Review HOC's housing inventory to determine each property's market position and consistency with the real estate portfolio strategy.
- Identify properties within HOC's inventory that are primed for redevelopment, especially if there is the potential to add additional density.
- Tap into "locked" equity in HOC owned assets through refinancing, improved performance and selective dispositions that can create capital dedicated to new acquisitions.
- Create bold partnerships with private and nonprofit developers, including corporate, military and religious organizations, to attract private capital and to develop larger scale mixed use, mixed income communities.
- Broaden the type of housing HOC develops by exploring other ownership structures such as cooperatives and sweat equity.
- Use a fiscally disciplined approach by allocating resources efficiently and developing cost-

effective scopes of work.

- Ensure the early participation of key stakeholders within HOC by creating specific project committees to develop recommendations.
- Aggressively prospect for development opportunities by identifying underutilized parcels and other off-market deals appropriate for redevelopment.

Develop a strategic plan of social service delivery.

HOC recognizes that it must target the social services that it can deliver to its clients and residents and determine which ones HOC will deliver itself and which ones it will seek from other providers.

Implementation Actions:

- Partner with public agencies and community groups to evaluate the service needs of residents and clients so HOC can target its service delivery programs.
- Include a service component in development deals and market resident services as a competitive advantage.
- Identify partners who can provide new opportunities for our clients to progress toward economic self-sufficiency.
- Expand residents' understanding of HOC operations.
- Create leadership development opportunities for members of the Resident Advisory Board.
- Market exceptional supportive services to private management companies to generate revenue.
- Secure additional grant funding to enrich and increase client services in areas targeted by HOC's strategic design of social services.
- Increase and expand language services for improved communication with Montgomery County's increasingly diverse population, including ESL clients.
- Assist clients to understand their responsibilities in meeting the requirements of the programs in

which they participate as well as their community responsibilities.

- Increase fund raising initiatives.

Broaden government relations activity to improve the legislative and regulatory environment to remove barriers and promote progressive change in the housing arena.

HOC will be in the forefront of local, state and federal housing legislation, regulations and public policy.

Implementation Actions:

- Utilize HOC's prominent reputation and expertise to contribute proactively to changes in policy, statute and regulations.

- Examine regulations and law at the local, state and federal levels and identify specific barriers to HOC in achieving its mission and develop and implement strategies to change them.

Operating Budget

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

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

The following pages of the section highlight the Agency's FY 2018 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 2018 Operating Budget by accounting classification. This chart summarizes all Agency Funds. The FY 2018 Operating Budget is balanced.

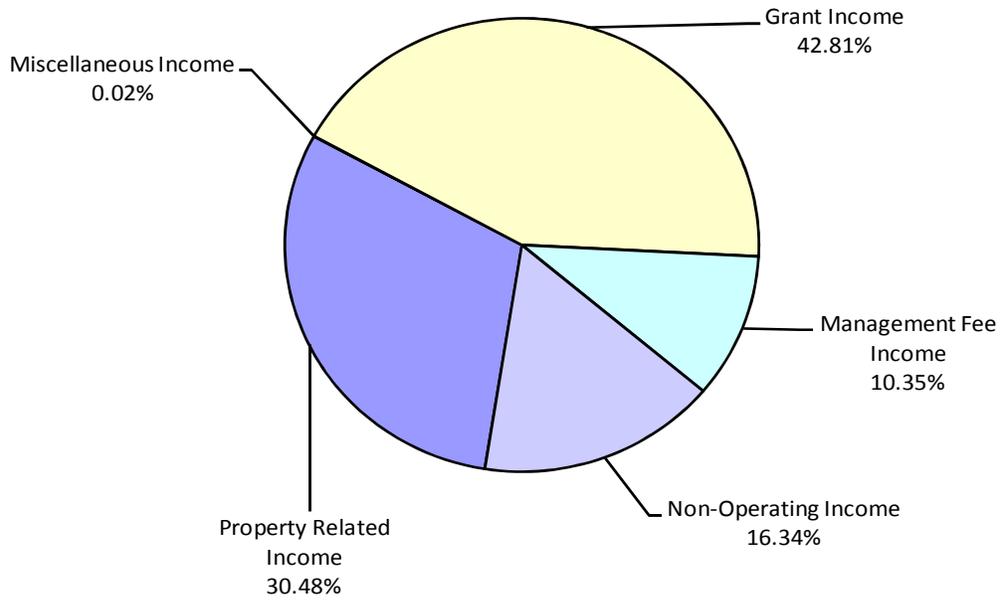
The charts on pages 1-11 and 1-12 illustrate the FY 2018 external as well as internal revenue restrictions. Although HOC has a \$237.7 million budget in FY 2018, only 9.26%, or \$22.0 million, in FY 2018 may be used by the Commission for discretionary expenses.

The chart on page 1-13 summarizes the General Fund. In FY 2018, the General Fund generates a Net Operating Income deficit of \$1.4 million.

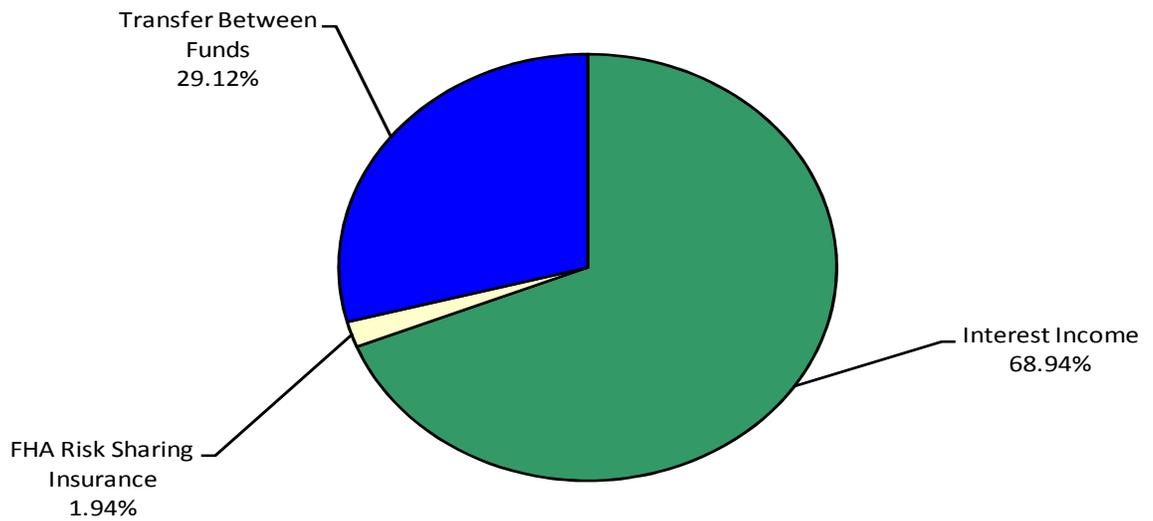
Charts are also included in this section which show the revenue, expense and net cash flow for the properties as well as the annual operating budget for each of the grants.

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

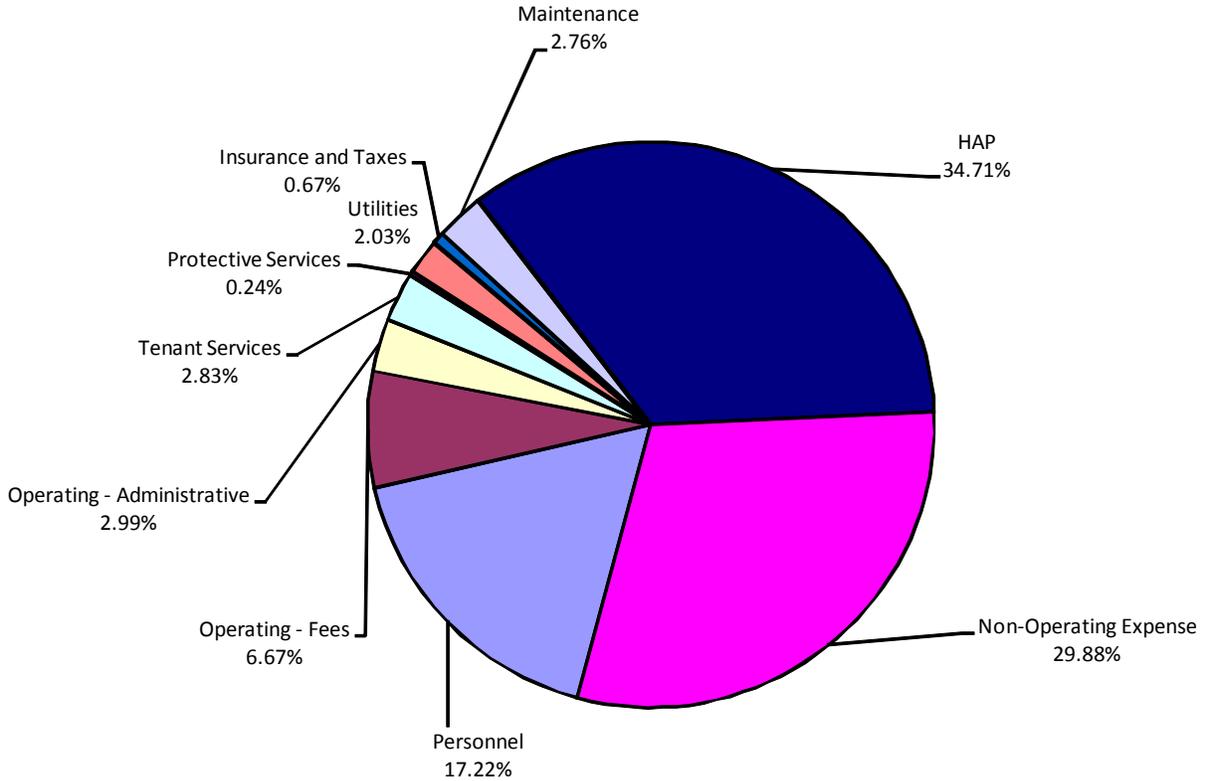
Source of Funds—FY 2018



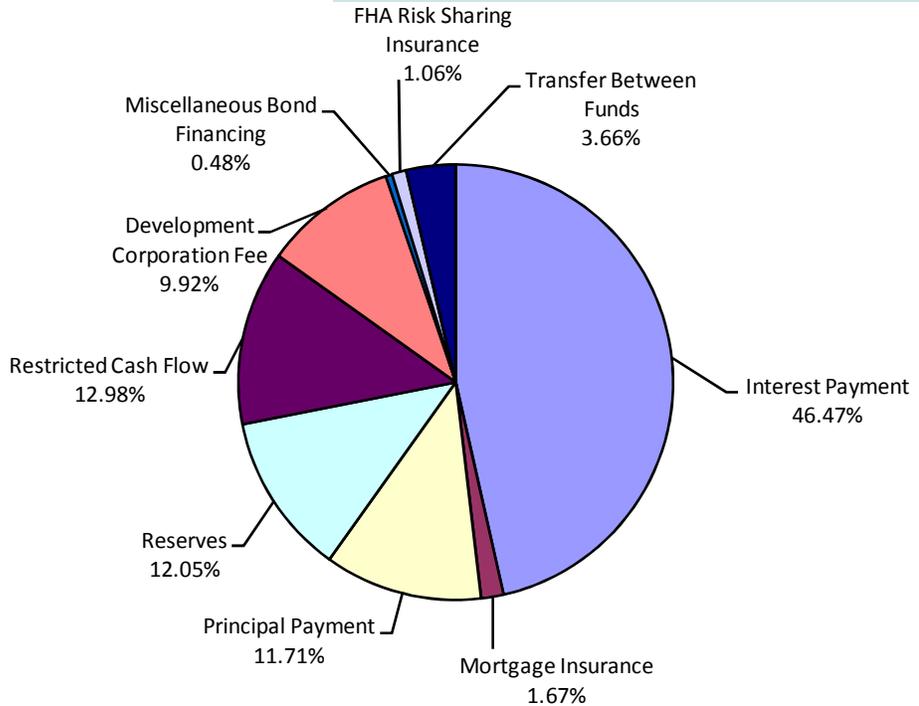
Non-Operating Income



Use of Funds—FY 2018



Non-Operating Expense

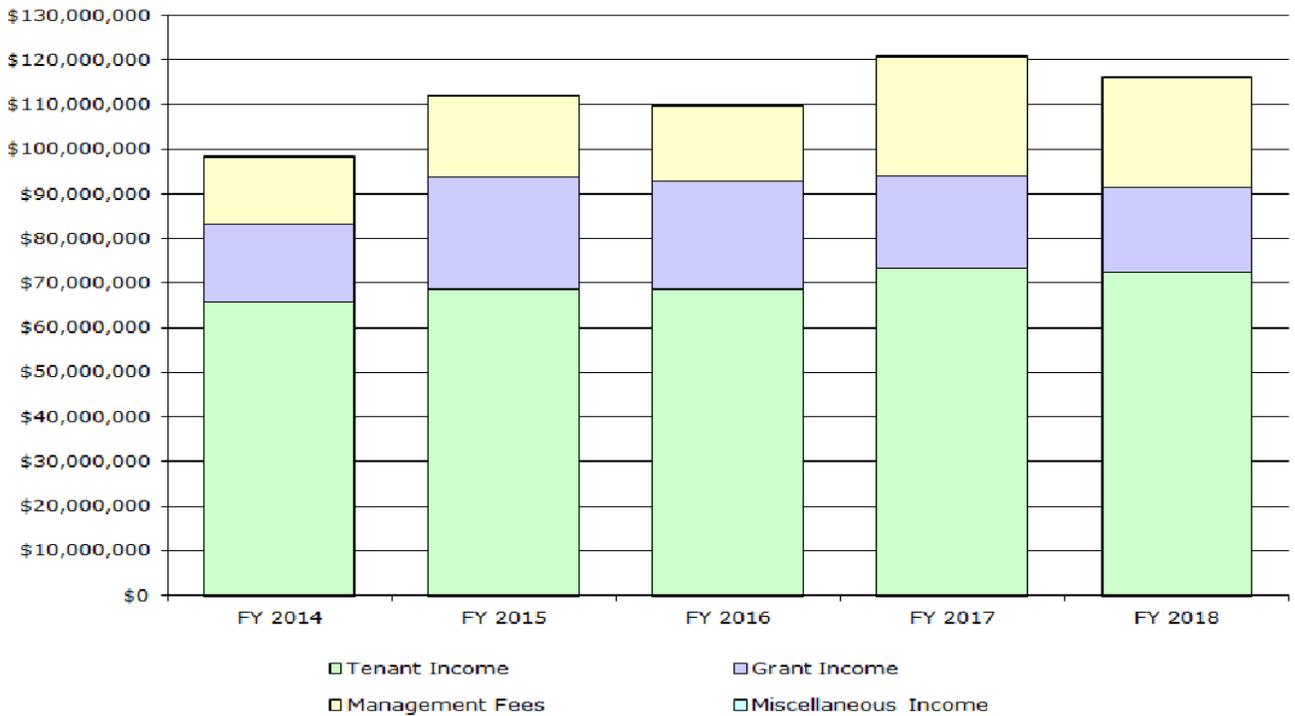


Total Agency—Revenue and Expense Statement

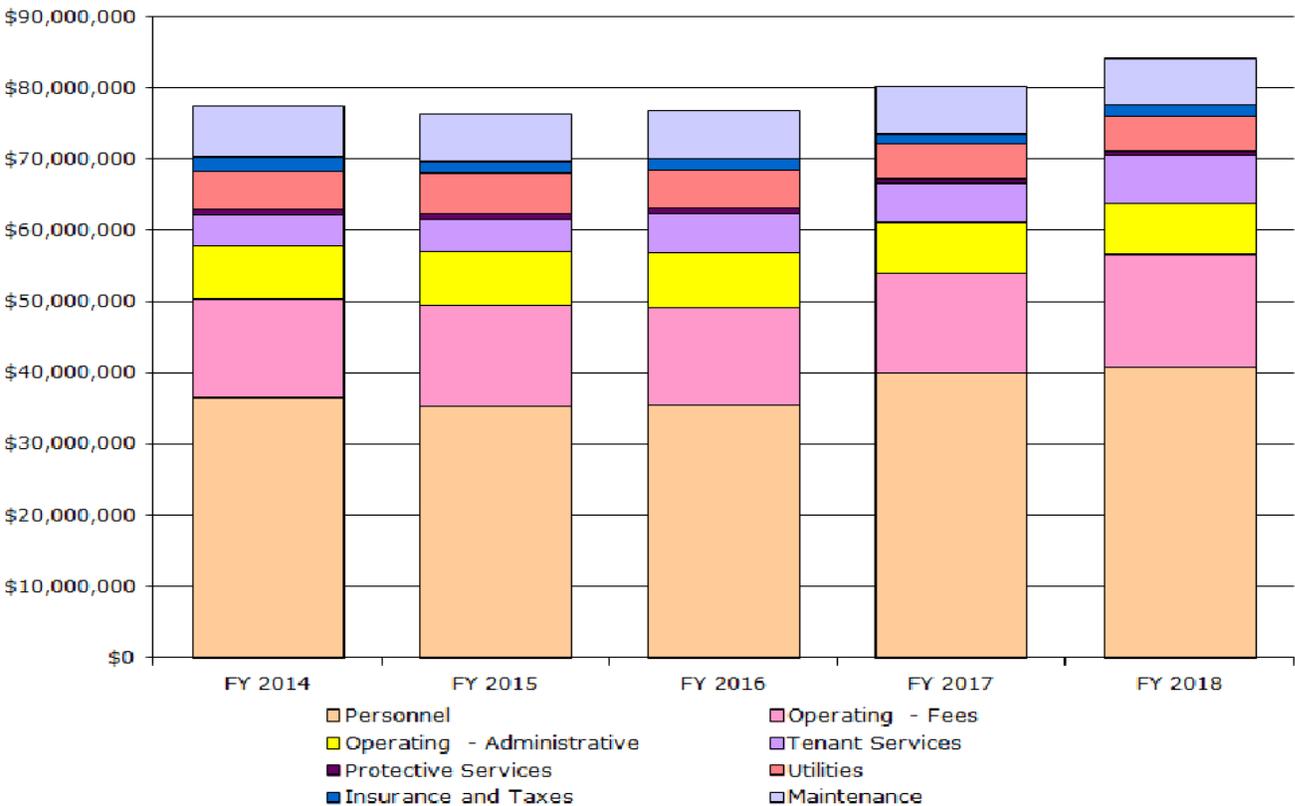
Total Revenue and Expense Statement	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
	Actual	Actual	Actual	Adopted Budget	Adopted Budget
Operating Income					
Tenant Income	\$64,924,114	\$67,678,833	\$67,455,171	\$72,402,210	\$71,047,994
Non-Dwelling Rental Income	\$1,016,295	\$1,005,425	\$1,346,229	\$1,151,530	\$1,396,724
Federal Grant	\$89,606,794	\$97,290,034	\$95,780,190	\$95,662,560	\$90,696,864
State Grant	\$170,530	\$194,723	\$157,083	\$174,100	\$180,084
County Grant	\$8,897,145	\$9,306,964	\$9,761,734	\$9,654,500	\$10,887,685
Management Fees	\$14,860,051	\$17,913,663	\$16,672,501	\$26,596,960	\$24,602,194
Miscellaneous Income	\$409,486	\$272,085	\$348,240	\$104,690	\$51,872
TOTAL OPERATING INCOME	\$179,884,415	\$193,661,727	\$191,521,148	\$205,746,550	\$198,863,417
Operating Expenses					
Personnel Expenses	\$36,581,466	\$35,299,016	\$35,610,940	\$39,991,500	\$40,922,974
Operating Expenses - Fees	\$13,803,034	\$14,307,255	\$13,635,450	\$13,982,480	\$15,856,158
Operating Expenses - Administrative	\$7,514,629	\$7,504,008	\$7,695,705	\$7,260,980	\$7,096,575
Tenant Services Expenses	\$4,261,201	\$4,540,828	\$5,444,800	\$5,509,330	\$6,735,513
Protective Services Expenses	\$833,486	\$717,915	\$756,953	\$598,450	\$560,523
Utilities Expenses	\$5,343,528	\$5,830,514	\$5,394,293	\$4,861,170	\$4,833,162
Insurance and Tax Expenses	\$1,962,893	\$1,585,782	\$1,616,298	\$1,470,340	\$1,583,477
Maintenance Expenses	\$7,181,026	\$6,656,200	\$6,779,554	\$6,643,240	\$6,551,018
Housing Assistance Payments (HAP)	\$81,304,364	\$81,437,288	\$81,539,944	\$84,769,110	\$82,544,136
TOTAL OPERATING EXPENSES	\$158,785,627	\$157,878,806	\$158,473,937	\$165,086,600	\$166,683,536
NET OPERATING INCOME	\$21,098,788	\$35,782,921	\$33,047,211	\$40,659,950	\$32,179,881
Non-Operating Income					
Investment Interest Income	\$29,028,028	\$27,698,946	\$23,536,467	\$30,105,690	\$26,779,909
FHA Risk Sharing Insurance	\$568,827	\$623,236	\$639,692	\$497,300	\$755,2804
Transfer Between Funds	\$16,557,111	\$10,727,372	\$12,533,892	\$8,176,450	\$11,311,663
TOTAL NON-OPERATING INCOME	\$46,153,966	\$39,049,554	\$36,710,051	\$38,779,440	\$38,856,856
Non-Operating Expenses					
Interest Payment	\$32,610,291	\$29,690,973	\$27,982,289	\$34,855,220	\$33,007,139
Mortgage Insurance	\$814,342	\$769,092	\$764,050	\$993,950	\$1,183,167
Principal Payment	\$7,471,025	\$6,946,832	\$6,661,644	\$7,510,600	\$8,315,318
Debt Service, Operating and Replacement Reserves	\$7,938,494	\$12,214,511	\$12,208,303	\$13,002,140	\$8,561,124
Restricted Cash Flow	\$8,401,985	\$11,002,670	\$11,865,614	\$10,211,170	\$9,219,399
Development Corporation Fees	\$4,496,256	\$6,049,249	\$5,211,017	\$7,691,330	\$7,044,000
Miscellaneous Bond Financing Expenses	\$32,842	\$23,752	\$57,343	\$943,560	\$341,553
FHA Risk Sharing Insurance	\$568,827	\$563,236	\$639,692	\$497,300	\$755,274
Transfer Out Between Funds	\$4,555,575	\$6,818,483	\$4,870,590	\$3,734,120	\$2,599,763
TOTAL NON-OPERATING EXPENSES	\$66,889,637	\$74,078,798	\$70,260,542	\$79,439,390	\$71,026,737
NET NON-OPERATING ADJUSTMENTS	(\$20,735,671)	(\$35,029,244)	(\$33,550,491)	(\$40,659,950)	(\$32,179,881)
NET CASH FLOW	\$363,117	\$753,677	(\$503,280)	\$0	\$0

Operating Budget—Total Agency

Total Operating Income w/o HAP

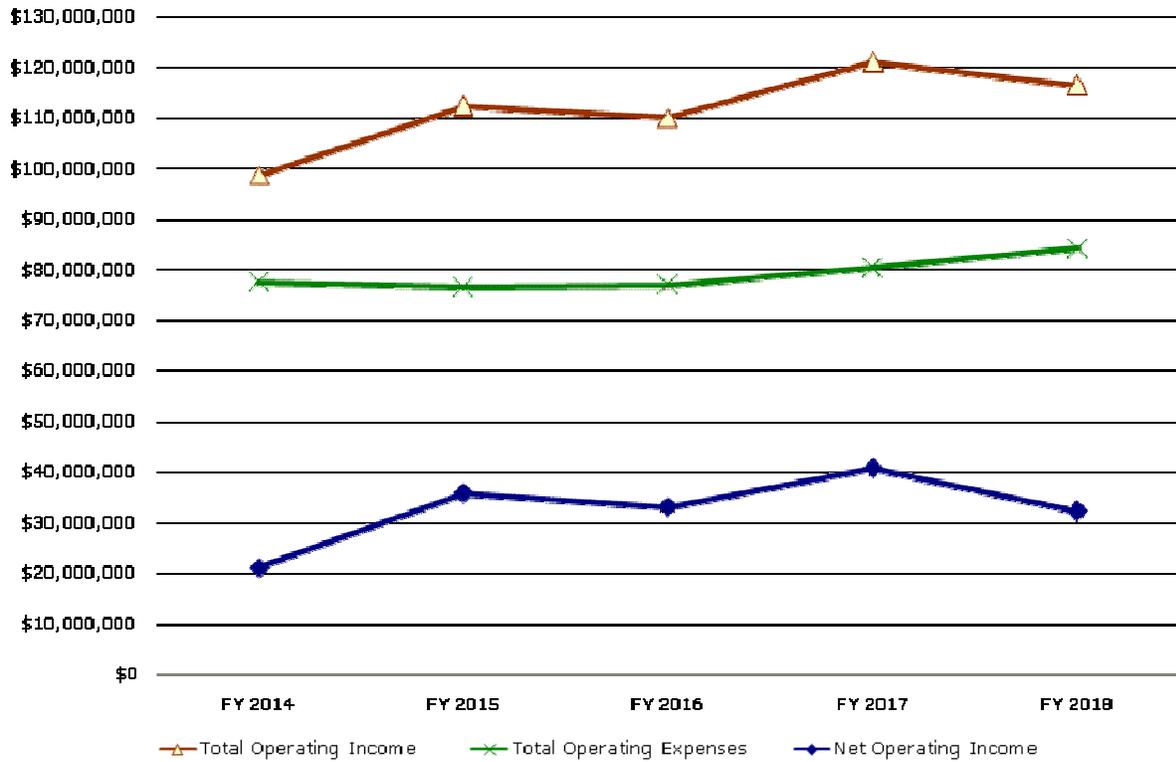


Total Operating Expenses w/o HAP



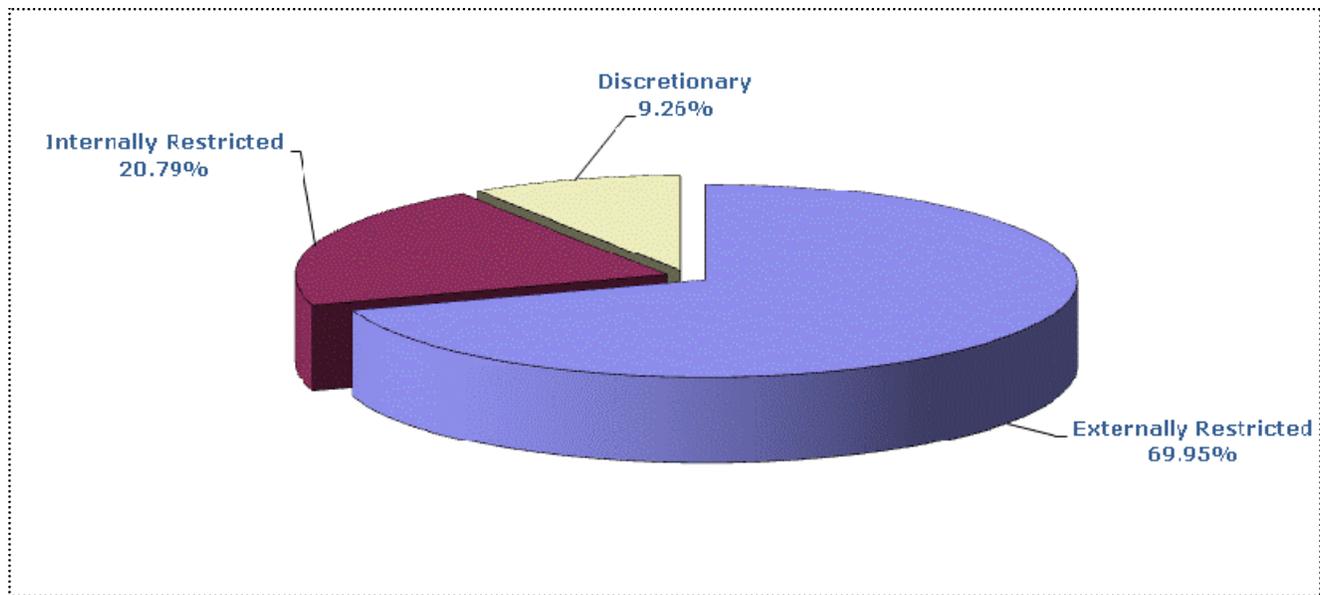
Operating Budget—Total Agency

Net Operating Income w/o HAP



FY 2018 Revenue Restrictions

Revenue Restriction (Showing externally placed restrictions)	FY 2018 Adopted Budget			Total
	Externally Restricted	Internally Restricted	Discretionary	
Operating Income				
Property Related Income	\$25,465,470	\$45,373,800	\$1,439,340	\$72,278,610
Federal Grant	\$90,813,410	\$0	\$0	\$90,813,410
State Grant	\$174,080	\$0	\$0	\$174,080
County Grant	\$10,747,220	\$0	\$0	\$10,747,220
Management Fees	\$0	\$4,042,390	\$20,540,310	\$24,582,700
Miscellaneous Income	\$251,980	\$0	\$7,500	\$259,480
TOTAL OPERATING INCOME	\$127,452,160	\$49,416,190	\$21,987,150	\$198,855,500
Non-Operating Income				
Interest Income	\$26,760,910	\$0	\$19,000	\$26,779,910
FHA Risk Sharing	\$755,280	\$0	\$0	\$755,280
Transfer Between Funds	\$11,319,570	\$0	\$0	\$11,319,570
TOTAL NON-OPERATING INCOME	\$38,835,760	\$0	\$19,000	\$38,854,760
TOTAL - ALL REVENUE SOURCES	\$166,287,920	\$49,416,190	\$22,006,150	\$237,710,260

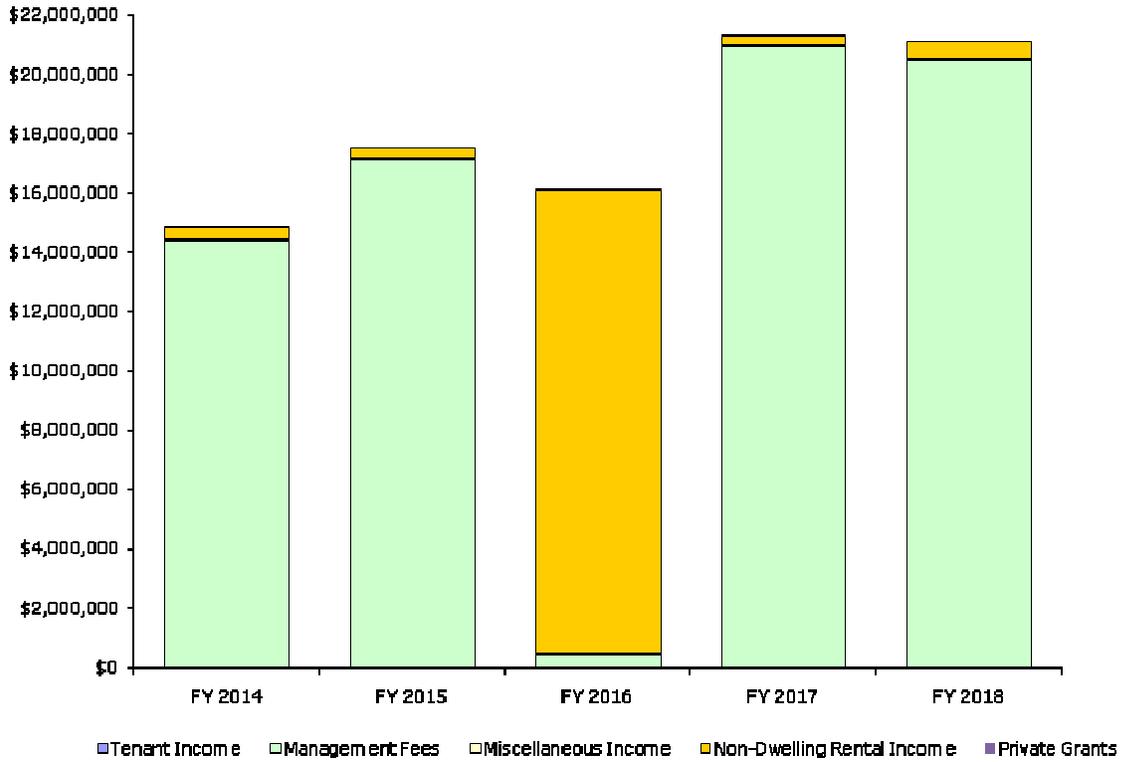


General Fund—Revenue and Expense Statement

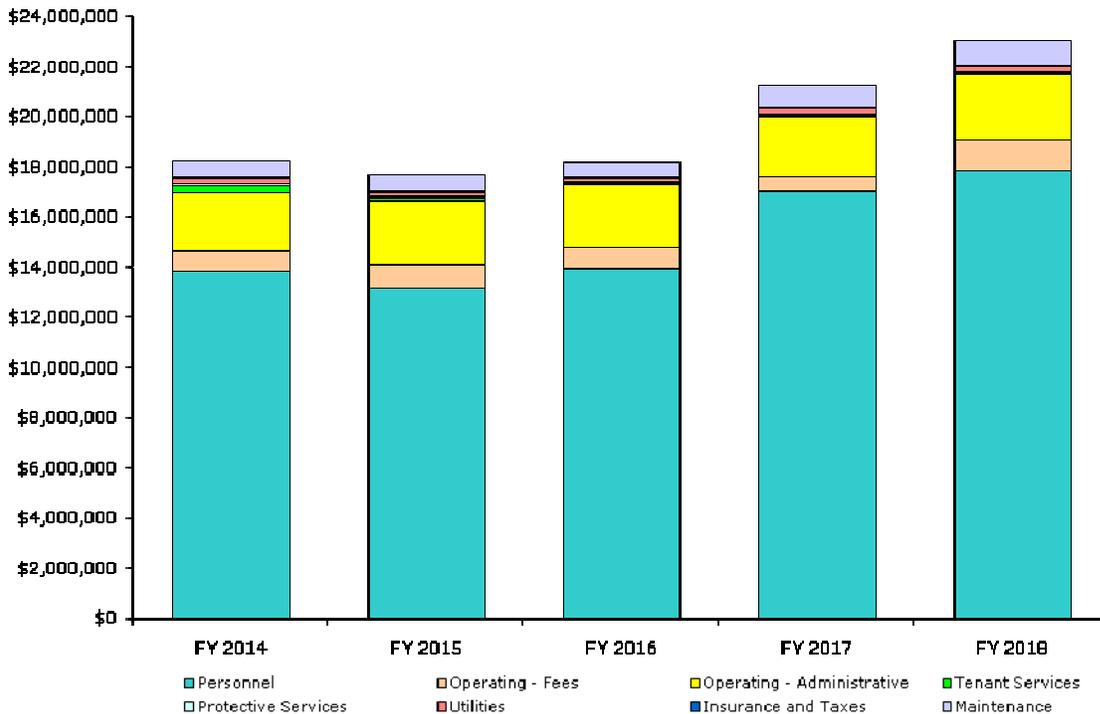
General Fund	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Adopted Budget	FY 2018 Adopted Budget
Operating Income					
Tenant Income	\$0	\$4,229	\$11,100	\$9,000	\$9,000
Non-Dwelling Rental Income	\$396,155	\$362,227	\$456,478	\$333,630	\$596,884
Management Fees	\$14,405,997	\$17,139,439	\$15,626,518	\$20,986,540	\$20,540,310
Miscellaneous Income	\$49,955	\$31,332	\$39,154	\$7,700	\$200
TOTAL OPERATING INCOME	\$14,852,107	\$17,537,227	\$16,133,250	\$21,336,870	\$21,146,394
Operating Expenses					
Personnel Expenses	\$13,846,943	\$13,220,162	\$13,957,971	\$17,022,530	\$17,886,337
Operating Expenses - Fees	\$850,776	\$852,389	\$818,631	\$548,270	\$1,181,736
Operating Expenses - Administrative	\$2,269,358	\$2,575,645	\$2,546,685	\$2,414,470	\$2,622,773
Tenant Services Expenses	\$318,164	\$140,416	\$38,534	\$46,900	\$48,630
Protective Services Expenses	\$82,119	\$53,760	\$61,661	\$75,510	\$76,492
Utilities Expenses	\$234,438	\$222,721	\$189,491	\$244,580	\$245,004
Insurance and Tax Expenses	\$5,853	\$4,450	\$1,355	\$12,880	\$46,420
Maintenance Expenses	\$648,783	\$613,183	\$580,774	\$884,850	\$887,640
TOTAL OPERATING EXPENSES	\$18,256,434	\$17,682,726	\$18,195,102	\$21,249,990	\$22,995,032
NET OPERATING INCOME	(\$3,404,327)	(\$145,499)	(\$2,061,852)	\$86,880	(\$1,848,638)
Non-Operating Income					
Investment Interest Income	\$556,836	\$534,642	\$529,987	\$23,600	\$18,995
FHA Risk Sharing Insurance	\$568,827	\$623,236	\$639,692	\$497,300	\$755,284
Transfer Between Funds	\$3,508,071	\$3,603,208	\$2,330,721	\$1,468,010	\$1,558,018
TOTAL NON-OPERATING INCOME	\$4,633,734	\$4,761,086	\$3,500,400	\$1,988,910	\$2,332,297
Non-Operating Expenses					
Interest Payment	\$214,611	\$314,535	\$565,015	\$32,220	\$32,217
Principal Payment	\$317,761	\$176,935	\$0	\$0	\$0
Debt Service, Operating and Replacement Reserves	\$200,000	\$1,813,399	\$200,000	\$1,913,200	\$1,084,963
Restricted Cash Flow	\$133,928	\$0	\$0	\$0	\$0
FHA Risk Sharing Insurance	\$568,827	\$563,236	\$639,692	\$497,300	\$755,274
Transfer Out Between Funds	\$1,210,913	\$2,519,950	\$1,755,322	\$1,250,380	\$50,546
TOTAL NON-OPERATING EXPENSES	\$2,646,040	\$5,388,055	\$3,160,029	\$3,693,100	\$1,923,000
NET NON-OPERATING ADJUSTMENTS	\$1,987,694	(\$626,969)	\$340,371	(\$1,704,190)	\$409,297
NET CASH FLOW	(\$1,416,633)	(\$772,468)	(\$1,721,481)	(\$1,617,310)	(\$1,439,341)

Operating Income and Operating Expenses—General Fund

Operating Income



Operating Expenses



Public Fund (Grants)—Income Summary

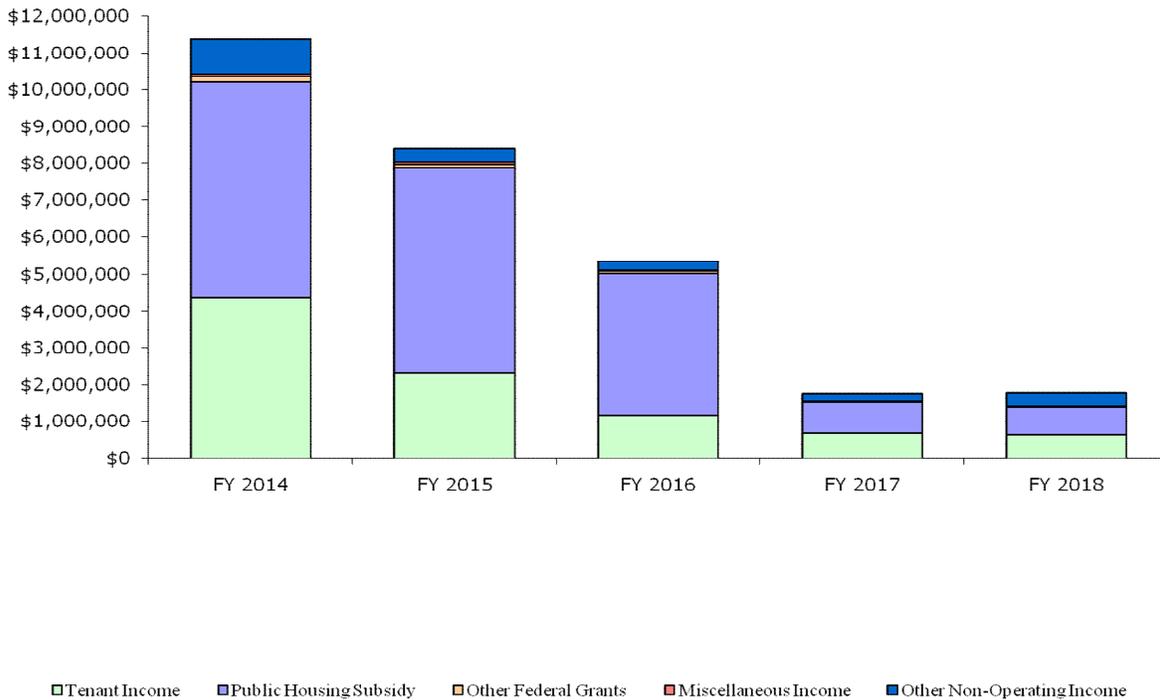
Public Fund				FY 2017	FY 2018
Federal, State and County Grants	FY 2014	FY 2015	FY 2016	Adopted	Adopted
Income Summary	Actual	Actual	Actual	Budget	Budget
Federal Funds					
Comp Grant	\$619,168	\$724,982	\$152,020	\$6,660	\$0
HOC Family Program	\$0	\$0	\$347,600	\$695,180	\$695,177
Federal Home - RAP and RAP to Work	\$137,268	\$115,400	\$118,990	\$122,500	\$126,200
Shelter Plus Care	\$611,992	\$146,385	\$0	\$0	\$0
Shelter Plus Care - New Neighbors	\$270,433	\$59,342	\$0	\$0	\$0
Shelter Plus Care - New Neighbors II	\$47,009	\$11,751	\$0	\$0	\$0
McKinney Grants	\$2,928,516	\$3,862,336	\$4,217,052	\$4,311,472	\$3,962,676
ROSS Grants	\$52,336	\$266,693	\$630,370	\$483,000	\$483,000
TOTAL - FEDERAL FUNDS	\$4,666,722	\$5,186,889	\$5,466,032	\$5,618,812	\$5,267,063
State Funds					
State RAP	\$184,532	\$194,723	\$186,130	\$174,100	\$174,084
	\$184,532	\$194,723	\$186,130	\$174,100	\$174,084
State & County Funds					
County Main Grant	\$6,079,392	\$6,371,005	\$6,273,380	\$6,513,040	\$6,536,889
County Senior Nutrition	\$43,231	\$43,869	\$49,260	\$54,270	\$58,075
County Closing Cost Assistance Program	\$159,210	\$165,180	\$170,630	\$168,400	\$177,012
Housing Locator	\$65,765	\$77,200	\$85,930	\$85,930	\$164,324
Maryland Emergency Food Program	\$0	\$6,000	\$4,500	\$6,000	\$6,000
Rent Supplemental Programs	\$1,424,341	\$1,609,130	\$1,730,800	\$1,782,700	\$2,729,484
Preservation Property Program	\$0	\$0	\$0	\$0	\$0
Parent Resource Center	\$0	\$0	\$0	\$0	\$0
Service Coordinators - (Old SHRAP)	\$317,400	\$309,000	\$300,350	\$311,470	\$327,600
Turnkey	\$23,250	\$23,250	\$23,250	\$23,250	\$23,496
State Service Linked Housing	\$0	\$0	\$0	\$0	\$0
Service Linked Emergency Assistance	\$73,919	\$73,919	\$73,920	\$73,920	\$74,648
State Housing Counselor	\$16,275	\$36,916	\$36,920	\$36,920	\$36,916
State Emergency Assistance	\$71,480	\$71,480	\$71,480	\$71,480	\$71,480
TOTAL - STATE & COUNTY FUNDS	\$8,684,879	\$9,197,565	\$9,231,038	\$9,537,998	\$10,767,485
TOTAL PUBLIC FUNDS	\$13,536,124	\$14,579,177	\$14,883,200	\$15,330,910	\$16,208,622

Public Housing Rental—Revenue and Expense Statement

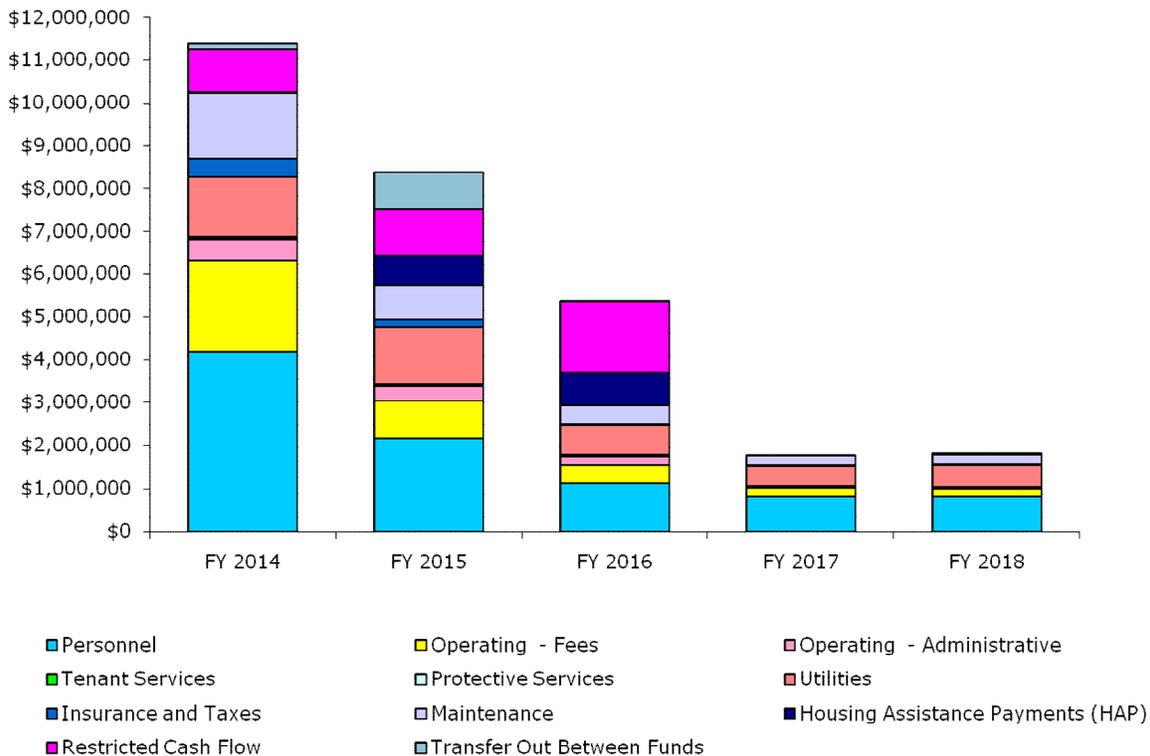
Public Housing Rental	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Adopted Budget	FY 2018 Adopted Budget
Operating Income					
Tenant Income	\$4,377,779	\$2,350,094	\$1,187,182	\$688,310	\$654,000
Non-Dwelling Rental Income	\$0	\$0	\$0	\$0	\$0
Public Housing Operating Subsidy	\$5,837,000	\$5,533,144	\$3,852,902	\$859,740	\$769,010
Other Federal Grants	\$145,002	\$85,397	\$56,150	\$0	\$0
County Grants	\$0	\$0	\$0	\$0	\$0
Miscellaneous Income	\$83,119	\$78,005	\$36,828	\$2,350	\$2,270
TOTAL OPERATING INCOME	\$10,442,900	\$8,046,640	\$5,133,062	\$1,550,400	\$1,425,280
Operating Expenses					
Personnel Expenses	\$4,191,431	\$2,162,525	\$1,142,006	\$810,960	\$815,700
Operating Expenses - Fees	\$2,140,090	\$864,301	\$389,195	\$226,090	\$199,670
Operating Expenses - Administrative	\$503,699	\$371,494	\$229,674	\$21,780	\$33,310
Tenant Services Expenses	\$2,806	\$1,294	\$174	\$0	\$0
Protective Services Expenses	\$42,098	\$28,872	\$12,559	\$5,310	\$5,410
Utilities Expenses	\$1,381,846	\$1,335,770	\$683,025	\$448,810	\$476,590
Insurance and Tax Expenses	\$432,003	\$165,749	\$41,028	\$29,680	\$28,640
Maintenance Expenses	\$1,563,512	\$810,630	\$436,693	\$220,640	\$230,730
Housing Assistance Payments (HAP)	\$4,643	\$688,290	\$760,094	\$0	\$0
TOTAL OPERATING EXPENSES	\$10,262,128	\$6,428,925	\$3,694,448	\$1,763,270	\$1,790,050
NET OPERATING INCOME	\$180,772	\$1,617,715	\$1,438,614	(\$212,870)	(\$364,770)
Non-Operating Income					
Investment Interest Income	\$1,405	\$748	\$3,060	(\$560)	(\$580)
Transfer Between Funds	\$943,883	\$340,463	\$234,260	\$213,430	\$366,500
TOTAL NON-OPERATING INCOME	\$945,288	\$341,211	\$237,320	\$212,870	\$365,920
Non-Operating Expenses					
Restricted Cash Flow	\$1,001,060	\$1,086,335	\$1,675,930	\$0	\$1,150
Transfer Out Between Funds	\$125,000	\$872,591	\$0	\$0	\$0
TOTAL NON-OPERATING EXPENSES	\$1,126,060	\$1,958,926	\$1,675,930	\$0	\$1,150
NET NON-OPERATING ADJUSTMENTS	(\$180,772)	(\$1,617,715)	(\$1,438,610)	\$212,870	\$364,770
NET CASH FLOW	\$0	\$0	\$4	\$0	\$0

Total Income and Total Expenses—Public Housing Rental

Total Income



Total Expenses



Public Housing Homeownership—Revenue and Expense Statement

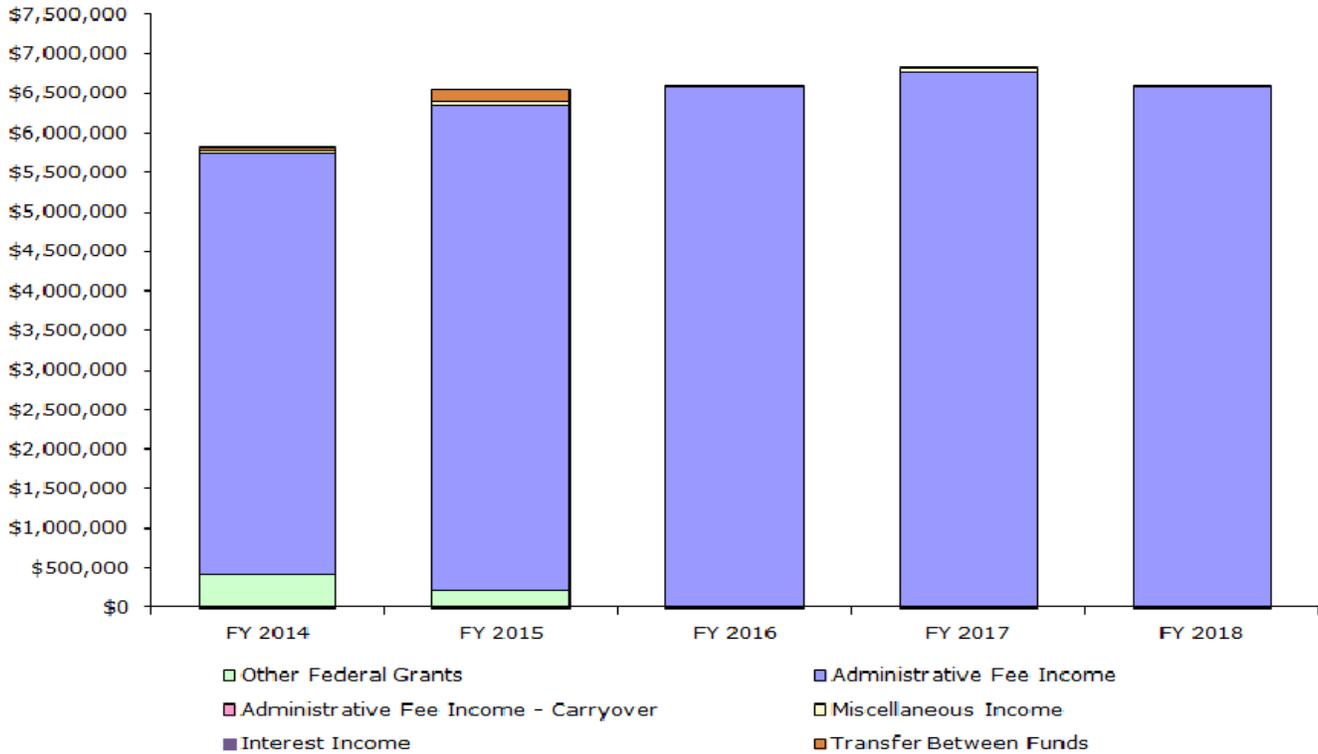
Public Housing Homeownership					
				FY 2017	FY 2018
	FY 2014	FY 2015	FY 2016	Adopted	Adopted
	Actual	Actual	Actual	Budget	Budget
Operating Income					
Tenant Income	\$3,255	\$11,161	\$0	\$7,200	\$7,366
Federal Grant	\$74,954	\$33,777	\$74,433	\$72,640	\$58,548
Miscellaneous Income	\$151	\$179	\$151	\$120	\$123
TOTAL OPERATING INCOME	\$78,360	\$45,117	\$74,584	\$79,960	\$66,037
Operating Expenses					
Personnel Expenses	\$20,274	\$11,830	\$13,121	\$15,040	\$17,215
Operating Expenses - Fees	\$7,398	\$7,372	\$6,843	\$7,690	\$9,919
Operating Expenses - Administrative	\$1,775	\$2,751	\$7,566	\$1,040	\$455
Protective Services Expenses	\$3	\$8	\$3	\$0	\$0
Utilities Expenses	\$18,467	\$18,220	\$12,098	\$19,180	\$20,320
Insurance and Tax Expenses	\$3,122	\$2,500	\$2,431	\$2,480	\$830
Maintenance Expenses	\$22,387	\$26,126	\$26,925	\$31,060	\$35,127
TOTAL OPERATING EXPENSES	\$73,426	\$68,807	\$68,987	\$76,490	\$83,866
NET OPERATING INCOME	\$4,934	(\$23,690)	\$5,597	\$3,470	(\$17,829)
Non-Operating Income					
Investment Interest Income	\$95	\$90	\$255	\$0	\$0
Transfer Between Funds - Rental License	\$266	\$266	\$287	\$290	\$287
TOTAL NON-OPERATING INCOME	\$361	\$356	\$542	\$290	\$287
NET NON-OPERATING ADJUSTMENTS	\$361	\$356	\$542	\$290	\$287
NET CASH FLOW	\$5,295	(\$23,334)	\$6,139	\$3,760	(\$17,542)

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

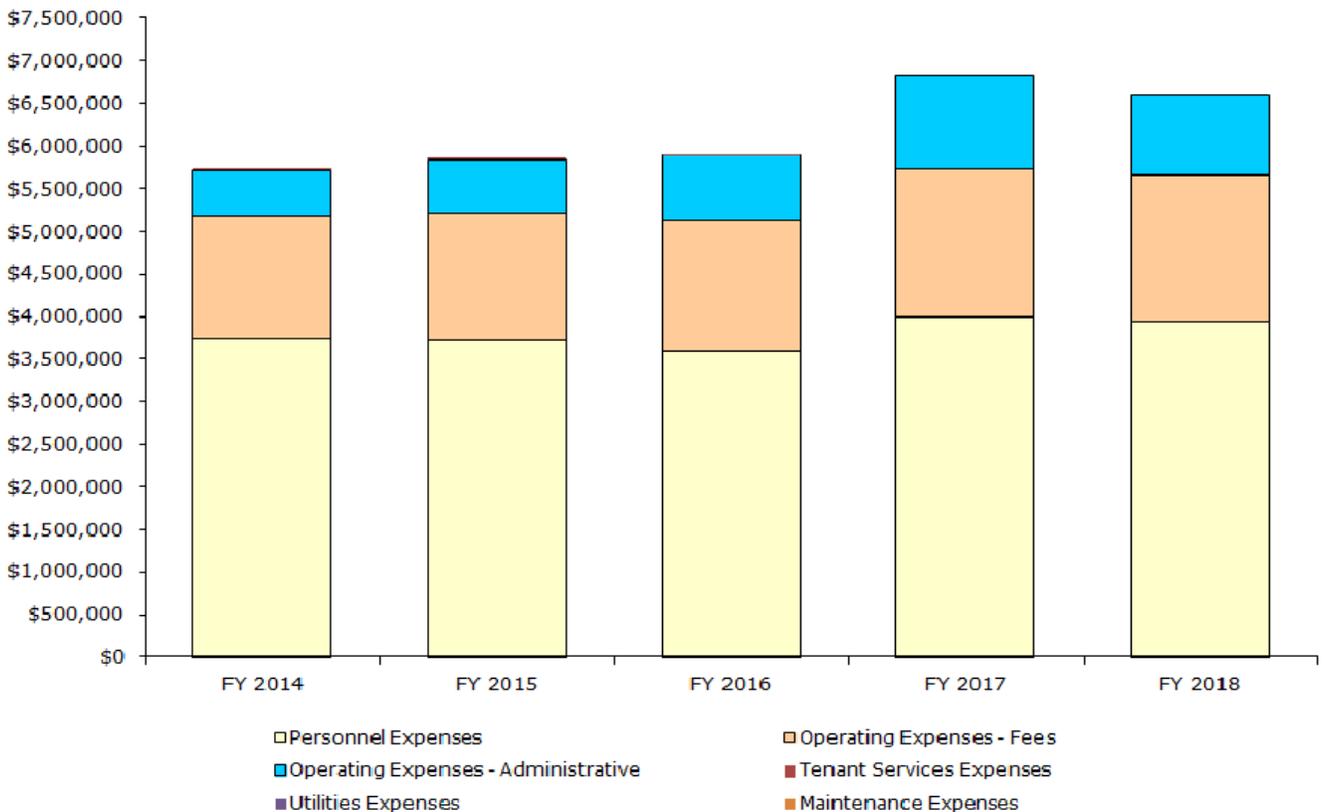
Housing Choice Voucher Program	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
	Actual	Actual	Actual	Adopted Budget	Adopted Budget
Operating Income					
Housing Assistance Payments (HAP)	\$73,829,580	\$80,788,048	\$80,678,690	\$83,170,570	\$78,087,346
Other Federal Grants	\$413,492	\$204,992	\$0	\$0	\$0
Public Housing Subsidy	\$0	\$0	\$237,330	\$0	\$0
Administrative Fee Income	\$5,328,603	\$6,145,767	\$6,583,770	\$6,778,730	\$6,599,109
Miscellaneous Income	\$46,711	\$50,134	\$24,470	\$50,380	\$0
TOTAL OPERATING INCOME	\$79,618,386	\$87,188,941	\$87,524,260	\$89,999,680	\$84,686,455
Operating Expenses					
Personnel Expenses	\$3,743,047	\$3,723,284	\$3,604,370	\$3,989,780	\$3,939,665
Operating Expenses - Fees	\$1,427,689	\$1,491,809	\$1,511,540	\$1,748,500	\$1,722,283
Operating Expenses - Administrative	\$547,866	\$628,845	\$771,600	\$1,090,830	\$934,471
Tenant Services Expenses	\$1,720	\$1,730	\$300	\$0	\$0
Utilities Expenses	\$0	\$0	\$0	\$0	\$0
Maintenance Expenses	\$0	\$0	\$0	\$0	\$0
Housing Assistance Payments (HAP)	\$80,575,507	\$80,128,515	\$80,637,290	\$84,769,110	\$82,544,136
TOTAL OPERATING EXPENSES	\$86,295,829	\$85,974,183	\$86,525,100	\$91,598,220	\$89,145,555
NET OPERATING INCOME	(\$6,677,443)	\$1,214,758	\$999,160	(\$1,598,540)	(\$4,459,100)
Non-Operating Income					
Investment Interest Income	\$0	(\$2,541)	\$0	\$0	\$0
Housing Assistance Payments (HAP) Reserve	\$6,745,926	\$0	\$0	\$1,598,540	\$0
Transfer Between Funds	\$28,348	\$151,553	\$0	\$0	\$4,472,790
TOTAL NON-OPERATING INCOME	\$6,774,274	\$149,012	\$0	\$1,598,540	\$4,472,790
Non-Operating Expenses					
Debt Service, Operating and Replacement Re-	\$0	\$659,533	\$761,830	\$0	\$13,690
TOTAL NON-OPERATING EXPENSES	\$0	\$659,533	\$761,830	\$0	\$13,690
NET NON-OPERATING ADJUSTMENTS	\$6,774,274	(\$510,521)	(\$761,830)	\$1,598,540	\$4,459,100
NET CASH FLOW	\$96,831	\$704,237	\$237,330	\$0	\$0

Total Income and Total Expenses—HCV Program

Total Income w/o HAP



Total Expense w/o HAP

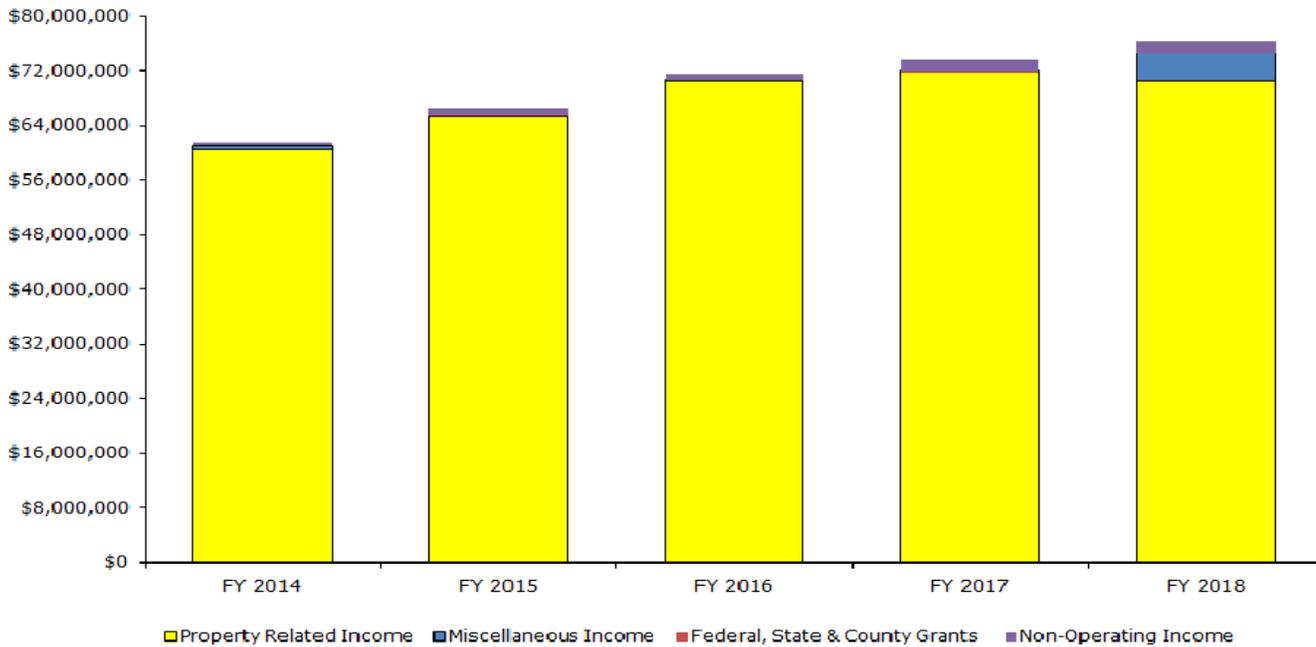


Opportunity Housing Fund and Development Corporations— Revenue and Expense Statement

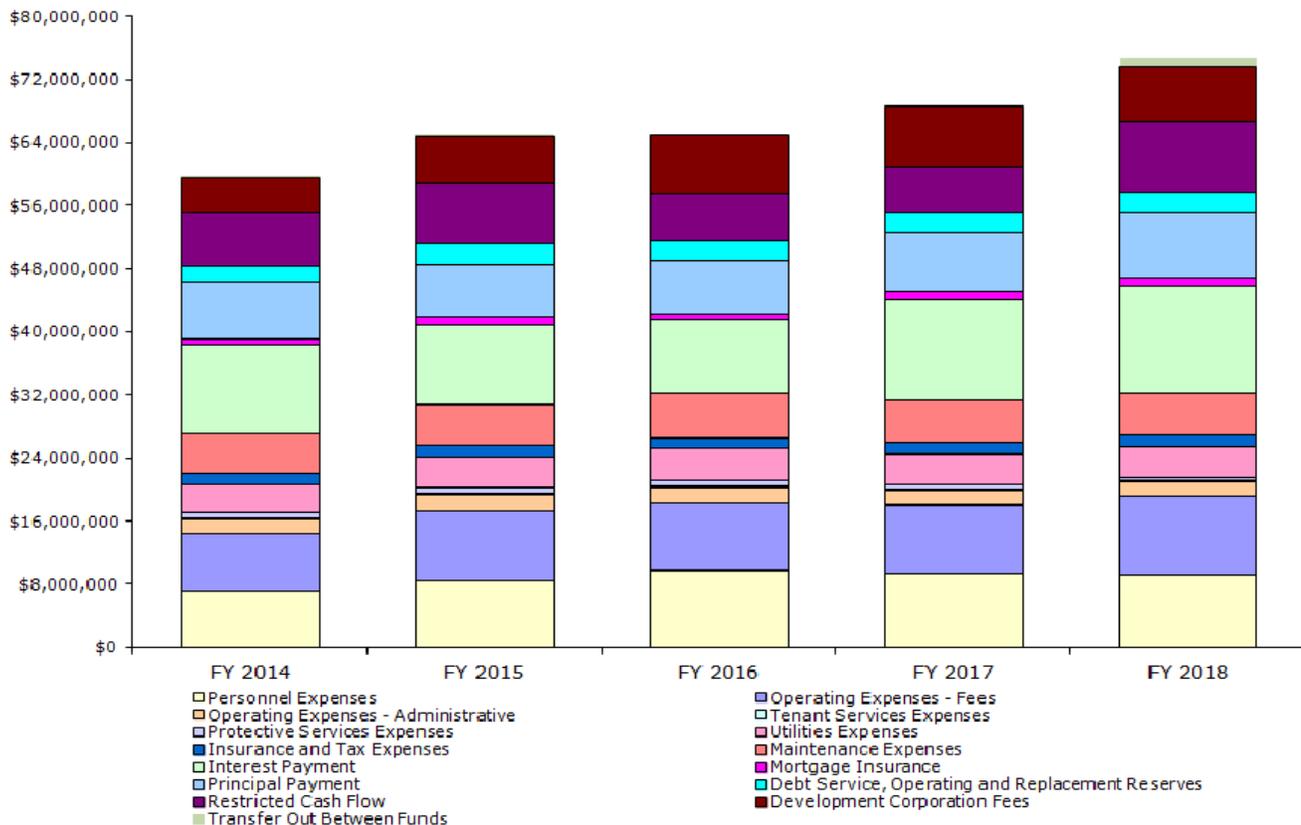
Opportunity Housing and Development Corporations	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Adopted Budget	FY 2018 Adopted Budget
Operating Income					
Tenant Income	\$64,746,934	\$69,569,367	\$65,490,310	\$70,940,270	\$69,618,636
Non-Dwelling Rental Income	\$543,057	\$798,789	\$840,820	\$767,520	\$799,840
Federal Grant	\$43,885	\$42,000	\$40,120	\$42,000	\$42,000
State Grant	\$0	\$0	\$0	\$0	\$0
County Grant	\$0	\$0	\$0	\$0	\$0
Miscellaneous Income	\$169,236	\$144,125	\$282,790	\$78,440	\$4,097,852
TOTAL OPERATING INCOME	\$65,503,112	\$70,554,281	\$66,654,040	\$71,828,230	\$74,558,328
Operating Expenses					
Personnel Expenses	\$8,567,332	\$9,780,633	\$8,862,000	\$9,383,970	\$9,282,152
Operating Expenses - Fees	\$8,822,347	\$8,505,015	\$8,534,970	\$8,736,840	\$9,969,130
Operating Expenses - Administrative	\$2,029,069	\$2,027,846	\$2,628,070	\$1,818,830	\$1,741,706
Tenant Services Expenses	\$197,168	\$226,031	\$225,360	\$228,820	\$229,376
Protective Services Expenses	\$635,275	\$619,054	\$682,730	\$517,640	\$478,617
Utilities Expenses	\$4,010,992	\$4,101,091	\$4,276,710	\$3,877,460	\$3,808,793
Insurance and Tax Expenses	\$1,395,922	\$1,393,751	\$1,550,570	\$1,405,480	\$1,478,787
Maintenance Expenses	\$5,207,092	\$5,660,376	\$5,735,170	\$5,506,680	\$5,397,524
TOTAL OPERATING EXPENSES	\$30,865,197	\$32,313,797	\$32,495,580	\$31,475,720	\$32,386,085
NET OPERATING INCOME	\$34,637,915	\$38,240,484	\$34,158,460	\$40,352,510	\$42,172,243
Non-Operating Income					
Investment Interest Income	(\$37,801)	(\$50,109)	(\$26,080)	(\$27,770)	(\$18,351)
Transfer Between Funds	\$922,524	\$921,902	\$2,031,900	\$1,917,660	\$1,768,180
TOTAL NON-OPERATING INCOME	\$884,723	\$871,793	\$2,005,820	\$1,889,890	\$1,749,829
Non-Operating Expenses					
Interest Payment	\$10,196,936	\$9,244,745	\$9,833,350	\$12,715,770	\$13,351,371
Mortgage Insurance	\$761,968	\$742,879	\$758,360	\$988,200	\$1,177,415
Principal Payment	\$6,769,897	\$6,716,097	\$6,661,640	\$7,510,600	\$8,315,318
Debt Service Reserve	\$0	\$5,218,133	\$4,749,000	\$3,476,620	\$45,600
Debt Service, Operating and Replacement	\$2,649,285	\$2,662,043	\$2,680,500	\$2,571,490	\$2,489,595
Restricted Cash Flow	\$7,567,714	\$5,864,660	\$5,052,210	\$5,671,080	\$8,882,076
Development Corporation Fees	\$6,049,249	\$7,383,687	\$5,211,020	\$7,691,330	\$7,044,000
Transfer Out Between Funds	\$1,443	\$0	\$0	\$0	\$1,177,356
TOTAL NON-OPERATING EXPENSES	\$33,996,492	\$37,832,244	\$34,946,080	\$40,625,090	\$42,482,731
NET NON-OPERATING ADJUSTMENTS	(\$33,111,769)	(\$36,960,451)	(\$32,940,260)	(\$38,735,200)	(\$40,732,902)
NET CASH FLOW	\$1,526,146	\$1,280,033	\$1,218,200	\$1,617,310	\$1,439,341

Total Income and Total Expenses— Opportunity and Development Corporations Portfolio

Total Income



Total Expenses



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

Opportunity Housing and Development Corps	Total		Net Operating		Annual		Annual Rfr, Operating & Debt		Asset & Loan Management		FY 2018 Projected		FY 2018	
	Operating	Income	Operating	Expenses	Debt	Services	Operating	Debt	Management	Reserve	Cash	Flow	Development	Net Cash
	Income	Expenses	Income	Expenses	Services	Services	Service Reserve	Service Reserve	Fees	Cash Flow	Flow	Flow	Corporations	Flow to HOC
Alexander House Ambassador	\$3,769,830	\$0	\$1,161,170	\$0	\$464,810	\$0	\$64,050	\$197,040	\$197,040	\$1,382,750	\$500,000	\$10	\$0	\$0
Avondale Apartments Barclay, The	\$347,230	\$1,241,130	\$149,270	\$439,330	\$36,520	\$678,410	\$10,000	\$81,830	\$18,760	\$151,430	\$18,760	\$10	\$0	\$0
Brooke Park	\$112,770	\$93,710	\$93,710	\$93,710	\$0	\$0	\$10,800	\$19,380	\$0	\$0	\$0	\$0	\$0	\$0
Brookside Glen (The Glen)	\$1,554,270	\$47,320	\$665,330	\$23,500	\$499,890	\$0	\$111,360	\$96,910	\$180,780	\$180,780	\$0	\$0	\$0	\$0
CDBG Units	\$334,330	\$0	\$197,780	\$0	\$59,020	\$0	\$23,830	\$0	(\$10)	\$0	\$0	(\$10)	\$0	(\$10)
Chelsea Towers	\$0	\$0	\$0	\$0	\$0	\$0	\$8,400	\$0	\$69,130	\$0	\$0	\$69,130	\$0	\$0
Chevy Chase Lake	\$99,370	\$1,328,420	\$78,350	\$795,330	\$0	\$0	\$7,330	\$10,770	\$0	\$2,920	\$0	\$0	\$0	\$0
Dale Drive	\$296,110	\$2,044,360	\$119,220	\$898,230	\$118,200	\$10,980	\$123,480	\$23,130	\$268,280	\$268,280	\$0	\$0	\$0	\$0
Diamond Square	\$296,110	\$2,044,360	\$119,220	\$898,230	\$10,980	\$104,450	\$72,420	\$19,380	\$74,110	\$0	\$0	\$74,110	\$0	\$74,110
Fairfax Court	\$296,110	\$2,044,360	\$119,220	\$898,230	\$828,910	\$58,200	\$109,830	\$104,450	\$154,570	\$154,570	\$0	\$10	\$0	\$0
Glenmont Crossing	\$1,736,150	\$1,080,890	\$836,580	\$420,320	\$538,810	\$61,200	\$61,200	\$109,830	\$189,730	\$189,730	\$0	\$0	\$0	\$0
Glenmont Westerly	\$325,150	\$36,670	\$132,280	\$24,590	\$69,010	\$78,000	\$78,000	\$57,500	\$456,060	\$456,060	\$0	\$0	\$0	\$0
Greenhills	\$325,150	\$36,670	\$132,280	\$24,590	\$101,560	\$15,590	\$15,590	\$0	\$75,720	\$75,720	\$0	\$0	\$0	\$0
Holiday Park	\$36,670	\$41,770	\$24,590	\$33,960	\$0	\$0	\$2,000	\$0	\$10,080	\$10,080	\$0	\$0	\$0	\$0
Jubilee Falling Creek	\$41,770	\$33,830	\$33,960	\$23,770	\$0	\$0	\$2,000	\$0	\$5,810	\$5,810	\$0	\$0	\$0	\$5,810
Jubilee Hermitage	\$33,830	\$35,160	\$23,770	\$23,550	\$0	\$0	\$2,000	\$0	\$8,060	\$8,060	\$0	\$0	\$0	\$8,060
Jubilee Horizon Court	\$35,160	\$260,390	\$102,030	\$23,550	\$0	\$0	\$2,000	\$0	\$9,610	\$9,610	\$0	\$0	\$0	\$9,610
Jubilee Woodedge	\$260,390	\$18,370	\$102,030	\$8,210	\$105,860	\$9,010	\$9,010	\$0	\$43,490	\$43,490	\$21,740	\$0	\$0	\$0
Ken Gar	\$18,370	\$2,394,140	\$8,210	\$625,600	\$0	\$0	\$1,200	\$0	\$8,960	\$8,960	\$8,960	\$0	\$0	\$0
King Farm Village Center	\$446,420	\$167,690	\$299,510	\$118,200	\$928,110	\$0	\$38,840	\$0	\$801,590	\$801,590	\$0	\$0	\$0	\$0
Magruder's Discovery	\$446,420	\$167,690	\$299,510	\$118,200	\$0	\$0	\$16,400	\$0	\$130,510	\$130,510	\$0	\$0	\$0	\$130,510
McHome	\$167,690	\$2,536,570	\$827,010	\$827,010	\$0	\$0	\$11,200	\$0	\$38,290	\$38,290	\$0	\$0	\$0	\$38,290
McKendree	\$2,536,570	\$6,876,400	\$1,995,570	\$1,995,570	\$1,951,230	\$30,000	\$30,000	\$8,680	(\$280,350)	(\$280,350)	\$0	\$0	\$0	(\$280,350)
MetroPointe	\$6,876,400	\$489,610	\$265,850	\$265,850	\$2,308,930	\$97,200	\$97,200	\$62,020	\$2,412,680	\$2,412,680	\$1,471,870	\$0	\$0	\$0
Metropolitan, The	\$489,610	\$678,910	\$460,560	\$460,560	\$40,470	\$0	\$14,000	\$0	\$169,290	\$169,290	\$0	\$0	\$0	\$169,290
MHLP VII	\$678,910	\$0	\$0	\$0	\$0	\$0	\$20,000	\$0	\$198,350	\$198,350	\$0	\$0	\$0	\$198,350
MHLP VIII	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

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

Opportunity Housing and Development Corps	Total		Net Operating		Annual Debt		Annual Rfr, Operating & Debt		Asset & Loan Management		Projected Cash		Development Corporations		Net Cash Flow to HOC	
	Operating Income	Operating Expenses	Operating Income	Operating Expenses	Services	Debt	Service Reserve	Management Fees	Cash Flow	Restricted Cash Flow	Corporations Fees	Flow	Cash Flow	Flow	Flow	Flow
FY 2018 Operating Budget																
(cont.)																
Montgomery Arms	\$1,954,350	\$694,560	\$1,259,790		\$688,550		\$46,200	\$138,900		\$386,140	\$0	\$386,140	\$0	\$0	\$0	\$0
MPDU 2007 - Phase II	\$83,150	\$51,630	\$31,520		\$0		\$1,800	\$0	\$29,720	\$0	\$0	\$29,720	\$0	\$0	\$0	\$29,720
MPDU I (64)	\$837,580	\$486,410	\$351,170		\$228,340		\$27,540	\$0	\$95,290	\$0	\$0	\$95,290	\$0	\$0	\$0	\$95,290
TPM - MPDU II (59)	\$845,270	\$447,080	\$398,190		\$0		\$17,700	\$0	\$380,490	\$0	\$0	\$380,490	\$0	\$0	\$0	\$0
NCI Units	\$185,970	\$88,080	\$97,890		\$0		\$97,890	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
NSP Units	\$98,920	\$41,060	\$57,860		\$0		\$57,870	\$0	(\$10)	\$0	\$0	(\$10)	\$0	\$0	\$0	(\$10)
Oaks @ Four Corners, The	\$1,395,980	\$774,700	\$621,280		\$283,630		\$172,000	\$129,210	\$36,440	\$36,440	\$0	\$36,440	\$0	\$0	\$0	\$0
Oliney Sandy Spring Road	\$100	\$11,190	(\$11,090)		\$0		\$300	\$0	(\$11,390)	\$0	\$0	(\$11,390)	\$0	\$0	\$0	(\$11,390)
Paddington Square	\$2,936,290	\$1,176,790	\$1,759,500		\$1,167,610		\$57,760	\$104,970	\$429,160	\$429,160	\$0	\$429,160	\$0	\$0	\$0	(\$10)
Paint Branch	\$177,760	\$125,920	\$51,840		\$0		\$8,400	\$0	\$43,440	\$43,440	\$0	\$43,440	\$0	\$0	\$0	\$0
Parkway Woods	\$305,560	\$112,660	\$192,900		\$136,100		\$11,390	\$0	\$45,410	\$45,410	\$0	\$45,410	\$0	\$0	\$0	\$0
TPM - Pomander Court	\$397,040	\$163,590	\$233,450		\$252,360		\$7,200	\$0	(\$26,110)	\$0	\$0	(\$26,110)	\$0	\$0	\$0	\$10
Pooks Hill High-Rise	\$2,919,800	\$1,020,630	\$1,899,170		\$1,028,810		\$161,540	\$256,190	\$452,630	\$452,630	\$0	\$452,630	\$0	\$0	\$0	\$0
Pooks Hill Mid-Rise	\$943,290	\$295,470	\$647,820		\$364,610		\$55,860	\$53,840	\$173,510	\$173,510	\$0	\$173,510	\$0	\$0	\$0	\$173,510
Sandy Spring Meadow	\$652,310	\$315,680	\$336,630		\$317,560		\$26,090	\$0	(\$7,020)	\$0	\$0	(\$7,020)	\$0	\$0	\$0	\$0
Scattered Sites One	\$2,543,610	\$1,432,360	\$1,111,250		\$565,100		\$114,000	\$22,990	\$409,160	\$409,160	\$0	\$409,160	\$0	\$0	\$0	\$0
Scattered Sites Two	\$777,380	\$402,820	\$374,560		\$297,400		\$74,400	\$0	\$2,760	\$2,760	\$0	\$2,760	\$0	\$0	\$0	\$10
Seneca Ridge	\$976,480	\$518,100	\$458,380		\$393,170		\$33,680	\$0	\$31,530	\$31,530	\$0	\$31,530	\$0	\$0	\$0	\$0
Sligo MPDU III	\$293,810	\$213,110	\$80,700		\$0		\$9,190	\$0	\$71,510	\$71,510	\$0	\$71,510	\$0	\$0	\$0	\$0
Southbridge	\$450,460	\$207,890	\$242,570		\$125,220		\$10,800	\$41,990	\$64,560	\$64,560	\$0	\$64,560	\$0	\$0	\$0	(\$10)
State Rental Combined	\$1,717,320	\$1,496,440	\$220,880		\$0		\$87,100	\$0	\$133,780	\$133,780	\$0	\$133,780	\$0	\$0	\$0	\$10
Strathmore Court	\$3,469,130	\$1,219,390	\$2,249,740		\$1,190,790		\$53,770	\$162,590	\$842,590	\$842,590	\$0	\$842,590	\$0	\$0	\$0	\$320,780
TPM - Timberlawn	\$2,172,290	\$684,530	\$1,487,760		\$1,125,120		\$26,750	\$115,210	\$220,680	\$220,680	\$0	\$220,680	\$0	\$0	\$0	\$0
Towne Centre Place	\$537,010	\$276,210	\$260,800		\$272,190		\$23,250	\$0	(\$34,640)	\$0	\$0	(\$34,640)	\$0	\$0	\$0	\$0
VPC One	\$6,812,990	\$2,839,220	\$3,973,770		\$2,175,960		\$119,700	\$0	\$1,678,110	\$1,678,110	\$0	\$1,678,110	\$0	\$0	\$0	\$38,870
VPC Two	\$4,680,840	\$1,925,680	\$2,755,160		\$1,571,530		\$84,000	\$0	\$1,099,630	\$1,099,630	\$0	\$1,099,630	\$0	\$0	\$0	\$28,070
Washington Square	\$866,080	\$312,930	\$553,150		\$287,320		\$23,720	\$0	\$242,110	\$242,110	\$0	\$242,110	\$0	\$0	\$0	(\$10)
Westwood Towers	\$4,540,140	\$2,111,900	\$2,428,240		\$2,029,880		\$212,000	\$228,270	(\$41,910)	\$0	\$0	(\$41,910)	\$0	\$0	\$0	(\$41,910)
TOTAL	\$71,904,170	\$30,264,840	\$41,639,330		\$23,241,970		\$2,535,210	\$2,045,080	\$13,817,070	\$5,610,350	\$7,076,270	\$1,130,450	\$1,130,450			
From reserves planned to fund specific property operating deficits							Metropointe		188,680							\$188,680
							Net Cash Flow - All Properties		\$14,005,750							\$1,319,130

Bond Program—Revenue and Expense Statement

Bond Fund	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
	Actual	Actual	Actual	Adopted Budget	Adopted Budget
Operating Expenses					
Trustee Fees	\$67,850	\$61,420	\$58,700	\$70,510	\$57,200
Lender Services Fees	\$1,594,182	\$1,555,072	\$1,508,700	\$1,754,080	\$1,766,970
Loan Losses	\$0	\$0	\$0	\$229,800	\$76,600
TOTAL OPERATING EXPENSES	\$1,662,032	\$1,616,492	\$1,567,400	\$2,054,390	\$1,900,770
NET OPERATING INCOME	(\$1,662,032)	(\$1,616,492)	(\$1,567,400)	(\$2,054,390)	(\$1,900,770)
Non-Operating Income					
Investment Interest Income	\$28,502,810	\$27,203,459	\$23,025,640	\$30,110,430	\$26,779,840
Miscellaneous Income	\$0	\$4,345	\$0	\$35,580	\$13,310
TOTAL NON-OPERATING INCOME	\$28,502,810	\$27,207,804	\$23,025,640	\$30,146,010	\$26,793,150
Non-Operating Expenses					
Interest Payment	\$21,128,057	\$19,179,501	\$17,583,920	\$22,107,230	\$19,623,550
Debt Service, Operating and Replace-	\$5,679,878	\$6,388,059	\$3,816,980	\$5,040,830	\$4,927,280
Miscellaneous Bond Financing Expenses	\$32,843	\$23,752	\$57,340	\$943,560	\$341,550
TOTAL NON-OPERATING EXPENSES	\$26,840,778	\$25,591,312	\$21,458,240	\$28,091,620	\$24,892,380
NET NON-OPERATING ADJUSTMENTS	\$1,662,032	\$1,616,492	\$1,567,400	\$2,054,390	\$1,900,770
NET CASH FLOW	\$0	\$0	\$0	\$0	\$0

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Division Summaries

Adopted Budget
June 7, 2017

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

Agency Revenues by Division

Division Summary	FY 2018 Adopted Budget		
	Revenues	Expenses	Net
Divisions			
Executive Division	\$0	\$11,055,570	(\$11,055,570)
Finance Division	\$19,200	\$4,942,970	(\$4,923,770)
Housing Resources Division	\$90,140,570	\$89,463,990	\$676,580
Maintenance Division	\$0	\$505,270	(\$505,270)
Mortgage Finance Division	\$6,443,490	\$4,087,080	\$2,356,410
Property Management Division	\$80,621,860	\$76,142,740	\$4,479,120
Real Estate Development Division	\$3,289,850	\$2,010,150	\$1,279,700
Resident Services Division	\$14,986,310	\$14,990,200	(\$3,890)
SUB-TOTAL	\$195,501,280	\$203,197,970	(\$7,696,690)
Other Non-Divisions			
Agency Wide Revenue and Expenses	\$15,415,840	\$7,719,150	\$7,696,690
Bond Funds	\$26,793,150	\$26,793,150	\$0
TOTAL - ALL FUNDS	\$237,710,270	\$237,710,270	\$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 (p a g e s 2 - 3 t h r o u g h 2-45).

Executive Division

Adopted Budget
June 7, 2017

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

- Administer the HOC Ethics Policy which will establish guidelines and standards of behavior for HOC staff.
- Develop recruitment strategies to assist divisions in efficient, effective and timely recruitment of qualified candidates.
- Support the Resident Services Division in the completion of the Resident Services Reorganization.
- Administer and monitor pre-employment drug testing program for new employees and alcohol and drug testing program for new and existing staff.
- Together with the Finance Division, identify a vendor to provide Payroll and Human Resources Information software and services and begin conversion to the new platform.
- 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).
- Provide supervisory training on the Collective Bargaining Agreement.
- Coordinate the work program of the Labor Management Relations Committee to address and resolve substantive labor issues.
- Create a new Trades Maintenance Worker III job classification category in concert with the joint HOC/MCEGO Labor Management Relations Committee (LMRC).
- In partnership with the Property Management Division and MCGEO, develop a program to expand and enhance the skills of HOC's maintenance staff.

Ensure Compliance with EEO, and ADA Regulations

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

Continuous Improvement and Operational Efficiency of HOC

- Monitor and improve the disaster recovery guidelines and identify resources and strategies that will help HOC to recover from a major business interruption.
- Determine ways to increase cost effectiveness for administrative services.

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 duties, objective and responsibility are:

- DUTY - The Compliance Department has a duty to work with management and staff to identify and manage regulatory risk.
- OBJECTIVE - The overriding objectives of the department are to ensure the Agency has systems of internal control that adequately measure and manage the risks that it faces.
- RESPONSIBILITY - The general responsibility of the department is to provide an in-house service that effectively supports the Agency's business areas in their duty to comply with relevant laws and regulations and internal procedures.

Five key functions of the Compliance Department are:

- IDENTIFICATION - identify the risks the Agency faces,

- PREVENTION - design and implement controls to protect the Agency from risks,
- MONITORING and DETECTION - monitor and report on the effectiveness of the controls in the management of the Agency's exposure to risks,
- RESOLUTION - resolve compliance issues as they occur and,
- ADVISORY - advise the Agency on 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

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 clients are able to receive information about HOC’s programs and other affordable housing options at the centers as well as through HOC’s main telephone line, the website, email, and 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 will increase 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 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.

Legislative and Public Affairs is responsible for strengthening HOCs relationship with government at the local, state and federal level to support the agency’s policy and affordable housing priorities; increasing public awareness of HOC’s work and its accomplishments; as well as strengthening community relationships by ensuring accurate and timely access to information.

As part of this restructuring, the Office of Legislative and Public Affairs has established

the following performance objectives:

- Create a Customer Relationship Management System (CRM) to improve HOCs ability to provide information and customer service across the enterprise. The CRM solution will include a customer call center and track all manner of constituent inquiry and customer satisfaction.
- Update the HOCMC.org website and other social media platforms to create a more user-friendly experience and enhance the accessibility of program and organization information. This includes increasing client self-service functionality.
- Expand public outreach efforts reach by increasing the opportunities and platforms with which program and agency accomplishments are shared.

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 2014	FY 2015	FY 2016	FY 2017	FY 2018 estimate
Number of Closed Help Desk Tickets	7,284	6,323	6,949	7,656	7,100 est.

Budget Overview—Executive Division

The total Amended FY 2018 Budget for the Executive Division is \$11.06 million, which represents an increase of 3.8% over the FY 2017 budget. Personnel costs comprise 70.2% of the FY 2018 budget, respectively. Operating expenses account for 20.9% in FY 2018. Maintenance and other miscellaneous

expenses account for 7.1% in FY 2018. The remaining 1.9% in FY 2018 accounts for debt service, Reserve for Replacements (RfR) contribution expenses for the Information Technology (IT) and Facilities Capital Budget, and funding of the FY 2018 capital budgets for IT and Facilities.

Revenue and Expense Statement

Executive Division	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Adopted Budget	FY 2018 Adopted Budget
Operating Income					
Tenant Income	\$0	(\$1,513)	(\$140)	\$0	\$0
Miscellaneous Income	\$8,745	\$4,075	\$26,460	\$0	\$0
TOTAL OPERATING INCOME	\$8,745	\$2,562	\$26,320	\$0	\$0
Operating Expenses					
Personnel Expenses	\$5,256,868	\$5,931,106	\$6,150,500	\$7,189,280	\$7,413,970
Operating Expenses - Fees	\$154,614	\$29,030	\$36,050	\$33,070	\$58,170
Operating Expenses - Administrative	\$1,835,576	\$2,214,868	\$2,189,670	\$2,245,510	\$2,605,220
Tenant Services Expenses	\$294,271	\$137,611	\$10,000	\$29,230	\$30,960
Protective Services Expenses	\$43,407	\$43,817	\$49,220	\$46,600	\$47,500
Utilities Expenses	\$163,288	\$152,806	\$119,460	\$156,580	\$156,680
Insurance and Tax Expenses	\$3,893	\$2,610	\$5,540	\$9,710	\$23,740
Maintenance Expenses	\$395,515	\$392,982	\$349,230	\$517,310	\$519,310
TOTAL OPERATING EXPENSES	\$8,147,432	\$8,904,830	\$8,909,670	\$10,227,290	\$10,855,550
NET OPERATING INCOME	(\$8,138,687)	(\$8,902,268)	(\$8,883,350)	(\$10,227,290)	(\$10,855,550)
Non-Operating Income					
Transfer Between Funds	\$1,535,107	\$986,085	\$613,600	\$0	\$0
TOTAL NON-OPERATING INCOME	\$1,535,107	\$986,085	\$613,600	\$0	\$0
Non-Operating Expenses					
Interest Payment	\$13,532	\$3,978	\$0	\$0	\$0
Principal Payment	\$317,761	\$176,935	\$0	\$0	\$0
Debt Service, Operating and Replacement Reserves	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
Restricted Cash Flow	\$133,928	\$0	\$0	\$0	\$0
Transfer Out Between Funds	\$1,189,158	\$2,361,137	\$1,465,650	\$1,060,000	\$0
TOTAL NON-OPERATING EXPENSES	\$1,854,379	\$2,742,050	\$1,665,650	\$1,260,000	\$200,000
NET NON-OPERATING ADJUSTMENTS	(\$319,272)	(\$1,755,965)	(\$1,052,050)	(\$1,260,000)	(\$200,000)
NET CASH FLOW	(\$8,457,959)	(\$10,658,233)	(\$9,935,400)	(\$11,487,290)	(\$11,055,550)

Finance Division

Adopted Budget
June 7, 2017

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 2014	FY 2015	FY 2016	FY 2017	FY 2018
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	7	8	9	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 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Actual	FY 2018 Goal
Number of Contracts Awarded	199	236	299	318	275
Percent of Dollars issued to Minority/ Female/Disabled-Outreach (MFD) firms	15%	19%	18%	18%	20%
Number of Purchase Orders (POs) issued	12,100	11,975	13,110	13,007	13,000

Budget Overview—Finance Division

The total Adopted FY 2018 Budget for the Finance Division is \$5.19 million. Personnel costs comprise 96.5% of total operating expenses in FY 2018. Fees, Administrative

expenses, and Interest Payments account for the balance of the budget.

Revenue and Expense Statement

Finance Division	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Adopted Budget	FY 2018 Adopted Budget
Operating Income					
Miscellaneous Income	\$1,938	\$165	\$110	\$200	\$200
TOTAL OPERATING INCOME	\$1,938	\$165	\$2,000	\$200	\$200
Operating Expenses					
Personnel Expenses	\$4,282,714	\$4,091,663	\$4,347,630	\$4,771,650	4,753,180
Operating Expenses - Fees	\$87,602	\$90,999	\$97,200	\$104,060	\$104,340
Operating Expenses - Administrative	\$177,782	\$168,842	\$260,860	\$78,040	\$74,720
Tenant Services Expenses	\$587	\$362	\$660	\$320	\$320
Insurance and Tax Expense	\$0	\$0	\$0	\$0	\$0
Maintenance Expenses	\$47,855	\$56,574	\$62,110	\$0	\$0
TOTAL OPERATING EXPENSES	\$4,596,540	\$4,408,440	\$4,768,460	\$4,954,070	\$4,932,560
NET OPERATING INCOME	(\$4,594,602)	(\$4,408,275)	(\$4,768,350)	(\$4,953,870)	(\$4,932,360)
Non-Operating Income					
Investment Interest Income	\$40,370	\$30,159	\$25,980	\$23,600	\$19,000
TOTAL NON-OPERATING INCOME	\$40,370	\$30,159	\$25,980	\$23,600	\$19,000
Non-Operating Expenses					
Interest Payment	\$21,675	\$10,304	\$5,680	\$10,400	\$10,400
TOTAL NON-OPERATING EXPENSES	\$21,675	\$10,304	\$5,680	\$10,400	\$10,400
NET NON-OPERATING ADJUSTMENTS	\$18,695	\$19,855	\$20,300	\$13,200	\$8,600
NET CASH FLOW	(\$4,575,907)	(\$4,388,420)	(\$4,748,050)	(\$4,940,670)	(\$4,923,760)

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Housing Resources Division

Adopted Budget
June 7, 2017

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 and Low-Income Public Housing (LIPH) 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 and LIPH Programs are the Federal Government's principal rental assistance programs available to low and very low-income families, the elderly and the disabled.

The Housing Resources Division is responsible for administering the Housing Choice Voucher (HCV) Program and client eligibility aspects of the LIPH Program. These functions 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 2017 and CY 2018 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 2016 and will again be certifying for a preliminary score of 140 points out of a possible 145 for an overall rating of 97 percent.

Performance Measurement Results (cont.)

SEMAP Score								
SEMAP Component	Actual Score FY 2014	Max. Score FY 2014	Actual Score FY 2015	Max. Score FY 2015	Prelim. Score FY 2016	Max. Score FY 2016	Prelim. Score FY 2017	Max. Score FY 2017
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	15.0	20.0	20	20.0
Adjusted Income Determination	15.0	20.0	15.0	20.0	15.0	20.0	15	20.0
Utility Allowance Schedule	5.0	5.0	5.0	5.0	5.0	5.0	5	5.0
HQS Quality Control Inspection	5.0	5.0	5.0	5.0	5.0	5.0	5	5.0
HQS Enforcement	10.0	10.0	10.0	10.0	10.0	10.0	10	10.0
Expanding Housing Opportunities	5.0	5.0	0.0	5.0	5.0	5.0	5	5.0
Fair Market Rent "FMR" Limit and Payment Standard (PS)	5.0	5.0	5.0	5.0	5.0	5.0	5	5.0
Annual Re-Examination	10.0	10.0	10.0	10.0	10.0	10.0	10	10.0
Correct Tenant Rent Calculations	5.0	5.0	5.0	5.0	5.0	5.0	5	5.0
Pre-Contract Housing Quality Standards (HQS) Inspections	5.0	5.0	5.0	5.0	5.0	5.0	5	5.0
Annual HQS Inspections	10.0	10.0	10.0	10.0	10.0	10.0	10	10.0
Lease-Up	20.0	20.0	20.0	20.0	20.0	20.0	20	20.0
Family Self-Sufficiency (FSS) Enrollment with Escrow Accounts	10.0	10.0	10.0	10.0	5.0	10.0	5	10.0
Program Subtotal	135.0	145.0	130.0	145.0	130.0	145.0	135	145.0
De-concentration Bonus *	5.0	–	5.0	–	5.0	–	5	–
Overall	140.0	145.0	135.0	145.0	135.0	145.0	140	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 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Mandated Participants	441	441	441	441	441	441	441
Enrolled Participants	370	371	370	343	373	343	247
Applicants in Enrollment Process	74	73	74	42	68	10	70
Graduates	42	33	30	54	43	39	37
% Graduating	14%	9%	8%	9%	11%	13%	15%
% Employed Participants upon Graduation	100%	100%	100%	100%	100%	100%	100%
% Employed Participants before Graduation	70%	62%	60%	65%	65%	68%	77%
% of Graduates who completed College, Tech, GED or other training	85%	84%	80%	85%	85%	87%	92%
Participants who withdrew, terminated, or unsuccessful in FSS	55	14	15	92	35	74	32
Number of Homebuyers	3	2	2	1	3	2	2
% of Participants with Escrow Accounts	75%	50%	50%	50%	50%	52%	70%
Other Family Members currently Enrolled	31	30	25	19	17	17	2

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 GED/high school diploma. Most of the participants enter FSS with work experience but are often fearful

Performance Measurement Results (cont.)

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 2018 Adopted Budget for the Housing Resources Division not related to HAP is \$6.80

million; 60.0% of which represent personnel costs. Other expenses account for the remainder of the budget.

Revenue and Expense Statement

Housing Resources Division	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Adopted Budget	FY 2018 Adopted Budget
Operating Income					
Tenant Income	\$0	\$63	\$480	\$0	\$0
Federal Grant	\$79,524,964	\$87,088,736	\$87,237,520	\$89,949,300	\$84,670,460
County Grant	\$715,602	\$927,667	\$917,930	\$855,440	\$881,320
Miscellaneous Income	93,423	100,141	48,930	50,380	16,000
TOTAL OPERATING INCOME	\$80,333,989	\$88,116,607	\$88,204,860	\$90,855,120	\$85,567,780
Operating Expenses					
Personnel Expenses	\$3,964,789	\$3,841,628	\$3,943,280	\$4,065,320	\$4,078,830
Operating Expenses - Fees	\$1,935,099	\$2,037,464	\$2,073,610	\$1,847,340	\$2,317,430
Operating Expenses - Administrative	\$576,712	\$317,394	\$454,330	\$711,630	\$350,410
Tenant Services Expenses	\$1,720	\$1,730	\$300	\$0	\$0
Protective Services	\$23,078	\$3,642	\$2,830	\$3,910	\$4,000
Utilities Expenses	\$16,760	\$15,988	\$13,770	\$15,990	\$16,310
Insurance and Tax Expenses	\$0	\$0	\$0	\$0	\$0
Maintenance Expenses	\$25,845	\$30,464	\$21,990	\$38,420	\$39,200
Housing Assistance Payments (HAP)	\$80,575,507	\$80,128,515	\$80,637,290	\$84,769,110	\$82,544,140
TOTAL OPERATING EXPENSES	\$87,119,510	\$86,376,825	\$87,147,400	\$91,451,720	\$89,350,320
NET OPERATING INCOME	(\$6,785,521)	\$1,739,782	\$1,057,460	(\$596,600)	(\$3,782,540)
Non-Operating Income					
Investment Interest Income	\$0	(\$2,541)	\$0	\$0	\$0
Transfer Between Funds	\$6,874,274	\$251,553	\$100,000	\$1,698,540	\$4,572,790
TOTAL NON-OPERATING INCOME	\$6,874,274	\$249,012	\$100,000	\$1,698,540	\$4,572,790
Non-Operating Expenses					
Debt Service, Operating and Replacement Reserves	\$96,832	\$1,363,769	\$761,830	\$0	\$13,690
Transfer Out Between Funds	\$121,851	\$234,588	\$100,000	\$100,000	\$100,000
TOTAL NON-OPERATING EXPENSES	\$218,683	\$1,598,357	\$861,730	\$100,000	\$113,690
NET NON-OPERATING ADJUSTMENTS	\$6,655,591	(\$1,349,345)	(\$761,830)	\$1,598,540	\$4,459,100
NET CASH FLOW	(\$129,930)	\$390,437	\$295,630	\$1,001,940	\$676,560

Maintenance Division

Adopted Budget
June 7 2017

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

Description

The 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

2018 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 2018 budget for the Maintenance Division is \$0.50 million. Personnel costs comprise 91.86% of the

budget in FY 2018. Operating expenses and other miscellaneous expenses account for 8.14% of the budget in FY 2018.

Revenue and Expense Statement

Maintenance Division	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
	Actual	Actual	Actual	Adopted Budget	Adopted Budget
Operating Income					
Tenant Income	\$0	\$0	\$0	\$0	\$0
Non-Dwelling Rental Income	\$0	\$0	\$0	\$0	\$0
County Grant	\$0	\$0	\$0	\$0	\$0
Management Fees	\$0	\$0	\$0	\$0	\$0
Miscellaneous Income	\$0	\$0	\$0	\$0	\$0
TOTAL OPERATING INCOME	\$0	\$0	\$0	\$0	\$0
Operating Expenses					
Personnel Expenses	\$0	\$0	\$210,050	\$453,570	\$464,150
Operating Expenses - Fees	\$0	\$0	\$0	\$0	\$19,222
Operating Expenses - Administrative	\$0	\$0	\$3,710	\$15,000	\$13,900
Insurance and Tax Expenses	\$0	\$0	\$0	\$0	\$8,000
TOTAL OPERATING EXPENSES	\$0	\$0	\$213,760	\$468,570	\$505,270
NET OPERATING INCOME	\$0	\$0	(\$213,760)	(\$468,570)	(\$505,270)
NET NON-OPERATING ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0
NET CASH FLOW	\$0	\$0	(\$213,760)	(\$468,570)	(\$505,270)

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Mortgage Finance Division

Adopted Budget
June 7 2017

Mission Statement

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

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

Special points of interest:

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

Description

The Mortgage Finance Division is the housing finance 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.

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 GNMA's. Depending on the circumstances of the transactions, these programs may have more flexible underwriting requirements than FHA Risk Sharing, allowing our assets to take advantage 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 Programs

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

- Complete two or four 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 430 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.
- 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.

Since FY 2011, 3,692 units were financed or refinanced with bonds in order to achieve or maintain a public purpose of 2,759 affordable units. Stated differently, 757% of the units provided some level of public purpose. With projected activities for FY 2017 and FY 2018, the multifamily program will have been involved with the financing or refinancing of 5,169 units (3,602 affordable units or 70%) since FY 2011.

Performance Measurement Results cont.

Multifamily Bond Issuance					
	FY 2014	FY 2015	FY 2016	FY 2017*	FY 2018 Projection
Number of Loans	-	4	3	2	6
Total Units	-	752	298	505	795
Total Affordable Units	-	681	296	162	497
% of Affordable Units	-	91%	99%	32%	63%
Total Bond Issuance (\$ millions)	-	\$100.3	\$36.8	\$124.50	\$100.70
% of Area Median Income Served	-	30-80%	30-60%	50-60%	30-60%

*Construction financings include: 1) tax-exempt short term notes; and, 2) conventional financing/private equity. Both transactions will utilize FFB/FHA Risk Share for permanent mortgage.

Activities in the Mortgage Purchase Program

The following table illustrates the activities in the MPP for the past three 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

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)		\$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	\$70,000
% of Area Median Income	76%	76%	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 2018 budgeted revenues for the Mortgage Finance Division are \$6.43 million and total expenses in the FY 2018 Budget are \$4.11 million. Personnel costs

comprise of 62.87% in FY 2018. Operating expenses and other miscellaneous expenses account for 37.13% in FY 2018. Non-operating expenses are in \$0.76 million in FY 2018.

Revenue and Expense Statement

Mortgage Finance Division	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Adopted Budget	FY 2018 Adopted Budget
Operating Income					
State Grant	\$0	\$0	\$0	\$0	\$0
County Grant	\$159,210	\$165,180	\$170,620	\$168,400	\$177,010
Management Fees	\$1,352,571	\$1,844,915	\$1,659,010	\$2,694,650	\$2,497,780
Miscellaneous Income	\$6,875	\$7,500	\$7,510	\$7,500	\$0
TOTAL OPERATING INCOME	\$1,518,656	\$2,017,595	\$1,837,140	\$2,870,550	\$2,674,790
Operating Expenses					
Personnel Expenses	\$2,027,575	\$1,932,496	\$1,971,430	\$2,058,640	\$2,088,600
Operating Expenses - Fees	\$1,088,580	\$949,510	\$992,410	\$1,004,560	\$1,081,460
Operating Expenses - Administrative	\$173,273	\$230,504	\$86,030	\$150,990	\$152,250
Maintenance Expenses	\$0	\$0	\$0	\$0	\$0
TOTAL OPERATING EXPENSES	\$3,289,428	\$3,112,510	\$3,049,870	\$3,214,190	\$3,322,310
NET OPERATING INCOME	(\$1,770,772)	(\$1,094,915)	(\$1,212,730)	(\$343,640)	(\$647,520)
Non-Operating Income					
FHA Risk Sharing Insurance	\$568,827	\$623,236	\$639,690	\$497,300	\$755,280
Investment Interest Income	\$48,490	\$209,453	\$454,400	\$0	\$0
Transfer Between Funds	\$3,320,250	\$2,985,541	\$2,785,330	\$2,915,990	\$3,013,410
TOTAL NON-OPERATING INCOME	\$3,937,567	\$3,818,230	\$3,879,420	\$3,413,290	\$3,768,690
Non-Operating Expenses					
Interest Payment	\$14,727	\$216,362	526,330	\$0	\$0
Mortgage Insurance	\$8,988	\$7,125	\$5,690	\$5,750	\$5,750
FHA Risk Sharing Insurance	\$568,827	\$563,236	\$639,680	\$497,300	\$755,270
Restricted Cash Flow	\$338,735	\$0	\$55,200	\$0	\$3,750
Transfer Out Between Funds	\$0	\$0	\$0	\$0	\$0
TOTAL NON-OPERATING EXPENSES	\$931,277	\$786,723	\$1,226,900	\$503,050	\$764,770
NET NON-OPERATING ADJUSTMENTS	\$3,006,290	\$3,031,507	\$2,652,520	\$2,910,240	\$3,003,920
NET CASH FLOW	\$1,235,518	\$1,936,592	\$1,439,790	\$2,566,600	\$2,356,400

Property Management Division

Adopted Budget
June 7, 2017

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 has maintained 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.

The Maintenance Department 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 will supervise and coordinate all HUB maintenance operations, fire and safety programs, and equipment inventory control and ensure that the condition and appearance of the properties meet HOC standards. To ensure housing stock is maintained, maintenance will create Requests for Proposals (RFPs) and Invitations for Bid (IFBs), generate new service contracts, and approve purchase requisitions.

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 services 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 263 units of Public Housing and 6,611 units of other types of housing including, but is not limited to, Section 236 properties, housing supported by Housing Choice Vouchers (HCV) and Project Based Vouchers (PBV). Of the units that HOC owns, 3,849 units are managed by a third party property manager, and 3,025 are managed by HOC. The Agency also provides housing under 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 administers more than 6,900 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 – two multifamily properties and 7 scattered sites - 263 units
 - HUD Project Based Section 8 – six properties – 517 units

- HUD Section 236 – six properties – 712 units
- Partnership Rental Housing Program (State Rental Partnership) – 196 units
- Low Income Housing Tax Credit (LIHTC) Programs - 20 different partnerships – 1,858 units
- Scattered-site rental units – 1,458 units
- Mixed Income Properties – 29 properties – 3,389 units
- Senior Properties for Independent Living - nine properties - 1,113 units
- Properties with Public Purpose at or below 60% AMI - 5,026 units or 72% of our total portfolio
- Single Room Occupancy (SRO) – two properties – 284 units
- Market Rate Units – 21 properties – 1,643 units
- Contract Managed units for Montgomery County—5 units

Properties in the portfolio that are not part of HOC's FY 2018 Operating Budget but are on a

calendar year include 712 Section 236 units and 1,724 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 public housing and voucher programs, residents pay no more than 30% of their gross income. In the public housing program, 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 client focused service to our clients. 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 93% 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 2017 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 2017	Units	Score
Elizabeth House	160	99B
Holly Hall	96	97B
Magruders Discovery	137	89C
Brookside Glen (The Glen)	90	TBD
Chelsea Towers	21	TBD
Tobytown	7	78C
Scattered Site One	190	TBD
Pond Ridge	40	TBD
Tax Credit X	75	TBD
Pooks Hill High Rise	189	TBD
Town Center Apartments	112	TBD
Diamond Square	124	TBD
Alexander House	311	TBD
REAC Inspections Scheduled for 2018		
Manchester Manor	53	95A
Montgomery Arms	129	95B
Spring Garden	83	TBD

Budget Overview—Property Management—Administrative

The Adopted FY 2018 budgeted revenues for Property Management Division Administration are \$6.48 million and total expenses are \$2.35 million. Personnel costs comprise of

75.5% of the Operating Budget in FY 2018. Other operating costs constitute the remainder of the operating budget.

Revenue and Expense Statement

Property Management Division Administration	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Adopted Budget	FY 2018 Adopted Budget
Operating Income					
Tenant Income	\$0	\$5,742	\$11,240	\$9,000	\$9,000
County Grant	\$1,024,002	\$1,037,920	\$1,057,510	\$1,057,920	\$1,037,920
Management Fees	\$3,796,463	\$5,128,519	\$4,542,160	\$4,461,860	\$5,434,110
Miscellaneous Income	\$14,426	\$1,224	\$70	\$0	\$0
TOTAL OPERATING INCOME	\$4,834,891	\$6,173,405	\$5,610,980	\$5,528,780	\$6,481,030
Operating Expenses					
Personnel Expenses	\$1,382,902	\$1,427,978	\$1,265,520	\$1,462,910	\$1,777,430
Operating Expenses - Fees	\$7,130	\$12,030	\$12,750	\$15,470	\$30,590
Operating Expenses - Administrative	\$62,048	\$176,813	\$131,730	\$89,850	\$105,950
Protective Services Expenses	\$15,634	\$6,301	\$9,620	\$25,000	\$25,000
Utilities Expenses	\$53,923	\$53,926	\$56,260	\$72,010	\$72,010
Insurance and Tax Expenses	\$1,960	\$1,540	\$4,630	\$3,170	\$12,680
Maintenance Expenses	\$179,458	\$132,804	\$53,780	\$329,120	\$329,120
TOTAL OPERATING EXPENSES	\$1,703,055	\$1,811,392	\$1,534,290	\$1,997,530	\$2,352,780
NET OPERATING INCOME	\$3,131,836	\$4,362,013	\$4,076,690	\$3,531,250	\$4,128,250
Non-Operating Income					
Investment Interest Income	\$99	\$55	\$0	\$0	\$0
Transfer Between Funds	(\$26,804)	\$0	\$0	\$0	\$0
TOTAL NON-OPERATING INCOME	(\$26,705)	\$55	\$0	\$0	\$0
Non-Operating Expenses					
Restricted Cash Flow	\$0	\$0	\$0	\$0	\$0
Transfer Out Between Funds	\$1,045,033	\$1,196,041	\$1,347,180	\$1,248,300	\$1,088,470
TOTAL NON-OPERATING EXPENSES	\$1,045,033	\$1,196,041	\$1,347,180	\$1,248,300	\$1,088,470
NET NON-OPERATING ADJUSTMENTS	(\$1,071,738)	(\$1,195,986)	(\$1,347,180)	(\$1,248,300)	(\$1,088,470)
NET CASH FLOW	\$2,060,098	\$3,166,027	\$2,729,510	\$2,282,950	\$3,039,780

Budget Overview—Property Management— Elderly Properties

The Adopted FY 2018 budgeted revenues for elderly properties are \$3.18 million and total expenses in the Operating Budget are \$2.69

million. Non-operational expenses are \$0.49 million. The Adopted FY 2018 budget for elderly properties is balanced.

Revenue and Expense Statement

Property Management Division Elderly Properties	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Adopted Budget	FY 2018 Adopted Budget
Operating Income					
Tenant Income	\$3,023,522	\$3,044,315	\$2,046,480	\$2,024,140	\$2,046,300
Federal Grant	\$2,154,980	\$2,140,187	\$946,200	\$859,740	\$769,010
Management Fees	\$7,277	\$6,732	\$2,030	\$3,060	\$3,130
Miscellaneous Income	\$78,445	\$34,988	\$0	\$130	(\$10)
TOTAL OPERATING INCOME	\$5,264,224	\$5,226,222	\$2,994,710	\$2,887,070	\$2,818,430
Operating Expenses					
Personnel Expenses	\$1,957,611	\$1,803,669	\$1,058,320	\$1,140,480	\$1,158,240
Operating Expenses - Fees	\$762,822	\$716,939	\$400,040	\$389,670	\$402,770
Operating Expenses - Administrative	\$196,645	\$238,520	\$139,030	\$50,160	\$61,050
Tenant Services Expenses	\$45,321	\$50,888	\$72,870	\$51,300	\$56,980
Protective Services Expenses	\$44,891	\$45,059	\$19,430	\$13,940	\$14,220
Utilities Expenses	\$948,640	\$1,074,431	\$466,660	\$524,040	\$561,090
Insurance and Tax Expenses	\$142,659	\$114,461	\$73,110	\$69,230	\$70,230
Maintenance Expenses	\$580,457	\$572,279	\$425,310	\$371,900	\$369,370
TOTAL OPERATING EXPENSES	\$4,679,046	\$4,616,246	\$2,654,770	\$2,610,720	\$2,693,950
NET OPERATING INCOME	\$585,178	\$609,976	\$339,940	\$276,350	\$124,480
Non-Operating Income					
Investment Interest Income	\$75	(\$2,210)	(\$1,880)	(\$2,830)	(\$2,670)
Transfer Between Funds	\$170,650	\$145,218	\$206,980	\$218,350	\$371,410
TOTAL NON-OPERATING INCOME	\$170,725	\$143,008	\$205,100	\$215,520	\$368,470
Non-Operating Expenses					
Interest Payment	\$151,577	\$143,550	\$135,120	\$126,090	\$116,460
Mortgage Insurance	\$11,979	\$11,336	\$10,670	\$9,950	\$9,180
Principal Payment	\$122,876	\$119,857	\$139,330	\$148,360	\$157,990
Debt Service, Operating and Replacement Reserves	\$48,000	\$157,665	\$172,000	\$172,000	\$172,000
Restricted Cash Flow	\$396,471	\$320,576	\$87,910	\$35,470	\$37,580
Transfer Out Between Funds	\$25,000	\$0	\$10	\$0	\$0
TOTAL NON-OPERATING EXPENSES	\$755,903	\$752,984	\$545,040	\$491,870	\$493,210
NET NON-OPERATING ADJUSTMENTS	(\$585,178)	(\$609,976)	(\$339,940)	(\$276,350)	(\$124,480)
NET CASH FLOW	\$0	\$0	\$0	\$0	\$0

Budget Overview—Property Management— Family Properties

The Adopted FY 2018 budgeted revenues for family properties are \$49.13 million and total expenses in the Operating Budget are \$20.38

million. Non-operational expenses are \$28.03 million in FY 2018.

Revenue and Expense Statement

Property Management Division Family Properties	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Adopted Budget	FY 2018 Adopted Budget
Operating Income					
Tenant Income	\$48,126,206	\$47,998,819	\$45,970,820	\$49,154,810	\$47,527,200
Non-Dwelling Rental Income	\$526,717	\$543,057	\$840,820	\$767,520	\$779,850
Federal Grant	\$1,290,838	\$1,298,701	\$114,550	\$114,650	\$100,550
Management Fees	\$71,346	\$9,895	\$14,110	\$22,450	\$16,370
Miscellaneous Income	\$252,450	\$188,553	\$116,700	\$55,270	\$38,360
TOTAL OPERATING INCOME	\$50,267,557	\$50,039,025	\$47,057,000	\$50,114,700	\$48,482,330
Operating Expenses					
Personnel Expenses	\$6,282,479	\$5,754,457	\$5,264,590	\$5,620,890	\$5,495,060
Operating Expenses - Fees	\$4,005,638	\$3,978,134	\$3,679,650	\$3,780,960	\$4,263,450
Operating Expenses - Administrative	\$1,844,587	\$1,808,333	\$1,625,630	\$1,632,590	\$1,532,440
Tenant Services Expenses	\$131,842	\$146,759	\$147,810	\$175,350	\$170,470
Protective Services Expenses	\$705,859	\$618,618	\$659,090	\$509,000	\$469,810
Utilities Expenses	\$3,756,484	\$3,881,749	\$3,670,750	\$3,689,470	\$3,504,150
Insurance and Tax Expenses	\$1,079,857	\$845,244	\$795,910	\$776,120	\$802,320
Housing Assistance Payments (HAP)	(\$2,661)	\$594,983	\$0	\$0	\$0
Maintenance Expenses	\$4,554,220	\$4,214,282	\$4,065,690	\$4,277,470	\$4,146,580
TOTAL OPERATING EXPENSES	\$22,358,305	\$21,842,559	\$19,909,120	\$20,461,850	\$20,384,280
NET OPERATING INCOME	\$27,909,252	\$28,196,466	\$27,147,880	\$29,652,850	\$28,098,050
Non-Operating Income					
Investment Interest Income	(\$32,232)	(\$31,383)	(\$16,770)	(\$24,490)	(\$12,650)
Transfer Between Funds	\$902,884	\$794,717	\$1,123,440	\$696,610	\$668,870
TOTAL NON-OPERATING INCOME	\$870,652	\$763,334	\$1,106,670	\$672,120	\$656,220
Non-Operating Expenses					
Interest Payment	\$10,315,120	\$9,277,200	\$8,597,150	\$9,576,380	\$9,798,530
Mortgage Insurance	\$727,487	\$690,722	\$683,710	\$772,450	\$830,280
Principal Payment	\$6,405,553	\$6,083,345	\$5,831,850	\$6,434,130	\$6,663,800
Debt Service, Operating and Replacement Reserves	\$1,411,494	\$1,714,563	\$3,551,880	\$3,293,690	\$1,541,900
Restricted Cash Flow	\$4,815,669	\$6,070,733	\$4,532,030	\$4,741,210	\$5,315,190
Development Corporation Fees	\$4,022,279	\$4,097,309	\$4,303,040	\$4,682,040	\$3,880,400
Transfer Out Between Funds	\$0	\$0	\$0	\$0	\$0
TOTAL NON-OPERATING EXPENSES	\$27,697,602	\$27,933,872	\$27,499,660	\$29,499,900	\$28,030,100
NET NON-OPERATING ADJUSTMENTS	(\$26,826,950)	(\$27,170,538)	(\$26,392,990)	(\$28,827,780)	(\$27,373,880)
NET CASH FLOW	\$1,082,302	\$1,025,928	\$754,890	\$825,070	\$724,170

Budget Overview—Property Management— Scattered Site Properties

The Adopted FY 2018 budgeted revenues for scattered-site properties are \$21.81 million and total expenses in the Operating Budget are

\$11.18 million. Non-operational expenses are \$9.91 million in FY 2018.

Revenue and Expense Statement

Property Management Division Scattered Site Properties	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Adopted Budget	FY 2018 Adopted Budget
Operating Income					
Tenant Income	\$12,885,475	\$16,070,490	\$17,385,190	\$20,456,830	\$20,706,510
Non-Dwelling Rental Income	\$0	\$0	\$0	\$0	\$0
Federal Grant	\$2,499,496	\$2,171,917	\$0	\$0	\$0
County Grant	\$0	\$0	\$0	\$0	\$0
Management Fees	\$431	\$384	\$0	\$0	\$0
Miscellaneous Income	\$27,971	\$1,042	\$93,780	\$0	\$0
TOTAL OPERATING INCOME	\$15,413,373	\$18,243,833	\$17,479,060	\$20,456,830	\$20,706,510
Operating Expenses					
Personnel Expenses	\$3,004,873	\$3,098,164	\$3,174,030	\$3,448,620	\$3,461,390
Operating Expenses - Fees	\$4,289,217	\$4,998,946	\$4,581,180	\$4,799,990	\$5,512,840
Operating Expenses - Administrative	\$331,514	\$355,774	\$852,470	\$158,900	\$181,990
Tenant Services Expenses	\$1,817	\$470	\$3,250	\$2,180	\$1,930
Protective Services Expenses	\$617	\$478	\$9,520	\$0	\$0
Utilities Expenses	\$164,560	\$408,802	\$324,260	\$131,920	\$240,460
Insurance and Tax Expenses	\$705,974	\$605,297	\$612,040	\$592,290	\$635,700
Housing Assistance Payments (HAP)	\$7,304	\$93,307	\$1,880	\$0	\$0
Maintenance Expenses	\$1,397,566	\$1,256,338	\$1,472,170	\$1,109,020	\$1,147,430
TOTAL OPERATING EXPENSES	\$9,903,442	\$10,817,576	\$11,030,800	\$10,242,920	\$11,181,740
NET OPERATING INCOME	\$5,509,931	\$7,426,257	\$6,448,260	\$10,213,910	\$9,524,770
Non-Operating Income					
Investment Interest Income	(\$4,571)	(\$3,379)	(\$6,700)	(\$1,020)	(\$3,620)
Transfer Between Funds	\$362,388	\$344,459	\$667,420	\$1,216,420	\$1,112,210
TOTAL NON-OPERATING INCOME	\$357,817	\$341,080	\$660,720	\$1,215,400	\$1,108,590
Non-Operating Expenses					
Interest Payment	\$800,926	\$776,186	\$966,870	\$3,013,310	\$3,436,370
Mortgage Insurance	\$65,888	\$59,910	\$54,260	\$205,800	\$337,960
Principal Payment	\$624,835	\$566,695	\$538,530	\$928,100	\$1,493,530
Debt Service, Operating and Replacement Reserves	\$502,290	\$777,057	\$3,608,080	\$2,582,420	\$821,290
Restricted Cash Flow	\$2,602,384	\$2,262,741	\$480,990	\$898,150	\$665,440
Development Corporation Fees	\$473,978	\$1,951,940	\$907,970	\$3,009,290	\$3,163,600
Transfer Out Between Funds	\$100,000	\$872,591	\$0	\$0	\$0
TOTAL NON-OPERATING EXPENSES	\$5,170,301	\$7,267,120	\$6,556,700	\$10,637,070	\$9,918,190
NET NON-OPERATING ADJUSTMENTS	(\$4,812,484)	(\$6,926,040)	(\$5,895,980)	(\$9,421,670)	(\$8,809,600)
NET CASH FLOW	\$697,447	\$500,217	\$552,280	\$792,240	\$715,170

Master Lease Properties—Revenue and Expense Statement

Property Management Division Master Lease Properties	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
				Adopted	Adopted
	Actual	Actual	Actual	Budget	Budget
Operating Income					
Tenant Income	\$412,016	(\$5,436)	\$0	\$0	\$0
Miscellaneous Income	\$664	\$5,826	\$0	\$0	\$0
TOTAL OPERATING INCOME	\$412,680	\$390	\$0	\$0	\$0
Operating Expenses					
Personnel Expenses	(\$274)	\$0	\$0	\$0	\$0
Operating Expenses - Fees	\$388,616	\$0	\$0	\$0	\$0
Operating Expenses - Administrative	\$1,000	\$687	\$0	\$0	\$0
Utilities Expenses	\$4,207	\$0	\$0	\$0	\$0
Maintenance Expense	\$0	\$118	\$0	\$0	\$0
TOTAL OPERATING EXPENSES	\$393,549	\$805	\$0	\$0	\$0
NET OPERATING INCOME	\$19,131	(\$415)	\$0	\$0	\$0
Non-Operating Income					
Investment Interest Income	\$356	\$9	\$0	\$0	\$0
Transfer Between Funds	\$0	\$1,849	\$0	\$0	\$0
TOTAL NON-OPERATING INCOME	\$356	\$1,858	\$0	\$0	\$0
Non-Operating Expenses					
Transfer Out Between Funds	\$19,487	\$1,443	\$0	\$0	\$0
TOTAL NON-OPERATING EXPENSES	\$19,487	\$1,443	\$0	\$0	\$0
NET NON-OPERATING ADJUSTMENTS	(\$19,131)	\$415	\$0	\$0	\$0
NET CASH FLOW	\$0	\$0	\$0	\$0	\$0

Capital Fund Program—Revenue and Expense Statement

Property Management Division	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Capital Fund Program	Actual	Actual	Actual	Adopted	Adopted
	Actual	Actual	Budget	Budget	Budget
Operating Income					
Federal Grant	\$619,168	\$724,942	\$152,020	\$6,660	\$7,010
TOTAL OPERATING INCOME	\$619,168	\$724,942	\$152,020	\$6,660	\$7,010
Operating Expenses					
Personnel Expenses	\$137,382	\$22,165	\$20,690	\$6,660	\$7,010
Operating Expenses - Fees	\$0	\$89,970	\$26,330	\$0	\$0
Operating Expenses - Administrative	\$481,786	\$108,450	\$105,000	\$0	\$0
Protective Services Expenses	\$0	\$0			
Housing Assistance Payments (HAP)	\$0	\$140,683	\$0	\$0	\$0
TOTAL OPERATING EXPENSES	\$619,168	\$361,268	\$152,020	\$6,660	\$7,010
NET OPERATING INCOME	\$0	\$363,674	\$0	\$0	\$0
Non-Operating Income					
Investment Interest Income	\$0	\$39	\$0	\$0	\$0
Transfer Between Funds	\$0	\$0	\$0	\$0	\$0
TOTAL NON-OPERATING INCOME	\$0	\$39	\$0	\$0	\$0
Non-Operating Expenses					
Interest Payment	\$0	\$0	\$0	\$0	\$0
Restricted Cash Flow	\$0	\$363,713	\$0	\$0	\$0
TOTAL NON-OPERATING EXPENSES	\$0	\$363,713	\$0	\$0	\$0
NET NON-OPERATING ADJUSTMENTS	\$0	(\$363,674)	\$0	\$0	\$0
NET CASH FLOW	\$0	\$0	\$0	\$0	\$0

Real Estate Development Division

Adopted Budget
June 7, 2017

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:

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 implementation of one of the major objectives of the HOC 2013-2017 Strategic Plan—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.

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

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 2018 budgeted revenues for the Real Estate Division are \$3.28 million and total expenses are \$2.00 million. Personnel costs comprise 88.1% of the total

operating expenses in FY 2018. Operating and other miscellaneous expenses account for the balance of the budget.

Revenue and Expense Statement

Real Estate Division	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
	Actual	Actual	Actual	Adopted Budget	Adopted Budget
Operating Income					
Management Fees	\$250,000	\$253,647	\$403,180	\$2,425,980	\$1,831,830
Miscellaneous Income	\$0	\$0	\$5,000	\$0	\$0
TOTAL OPERATING INCOME	\$250,000	\$253,647	\$408,180	\$2,425,980	\$1,831,830
Operating Expenses					
Personnel Expenses	\$755,286	\$1,030,158	\$1,426,400	\$1,704,130	\$1,768,480
Operating Expenses - Fees	\$0	\$530	\$0	\$0	\$10,930
Operating Expenses - Administrative	\$86,586	\$273,363	\$182,210	\$227,030	\$226,740
Maintenance Expenses	\$0	\$0	\$0	\$0	\$0
TOTAL OPERATING EXPENSES	\$841,872	\$1,304,512	\$1,608,610	\$1,931,160	\$2,006,150
NET OPERATING INCOME	(\$591,872)	(\$1,050,865)	(\$1,200,430)	\$494,820	(\$174,320)
Non-Operating Income					
Transfer Between Funds	\$828,020	\$1,738,873	\$1,250,250	\$1,368,010	\$1,458,020
TOTAL NON-OPERATING INCOME	\$828,020	\$1,738,873	\$1,250,250	\$1,368,010	\$1,458,020
NET NON-OPERATING ADJUSTMENTS	\$828,020	\$1,738,873	\$1,250,250	\$1,368,010	\$1,458,020
NET CASH FLOW	\$236,148	\$688,008	\$49,820	\$1,862,830	\$1,283,700

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Resident Services Division

Adopted Budget
June 7, 2017

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:

Other services include:

- 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.

- Administration of Federal and State 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, and Arcola Towers 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, State, 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, (2) the State funded Rent Allowance Program providing housing for a 12 month period, and (3) 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 State and County grants providing emergency financial assistance to HOC residents for rent delinquencies and/or utility disconnections, (2) providing Housing Counseling services for hard-to-place homeless individuals and families, (3) providing service coordination and ongoing case management to homeless households placed in housing to ensure retention of housing, and (4) 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 2016 Actuals	FY 2017 Actuals	FY 2018 Goal
Housing Stabilization (emergency assistance for rent and utility arrearages)	211	252	239
Youth, Family & Senior on-site programming	335	350	380
Eviction/Termination prevention and intervention services	567	254	241
Housing Services for the Homeless (Federal)	227	217	232
Housing Assistance (County)	507	521	619
Counseling Services	3,499	3,850	3,850

FY 2017 Metrics		
Metric Description	Target/Goal	Actuals
Maintain a high housing retention rate for clients served that are at imminent risk of eviction	95%	99%
Achieve goals for HOC operated programs at HOC properties	80%	95%
Reduce the number of residents with disabilities and language barriers that are non-compliant with the recertification process through workshops and service coordination	90%	100%
Maintain executed and valid MOUs for all outside vendors providing services at HOC properties	95%	97%
Maintain a housing retention rate for clients housed under the McKinney Programs and Housing Initiative Program	97%	99%

FY 2018 Metrics		
Metric Description	Target/Goal	Actuals
Achieve a high rent collection rate for participants in the McKinney supportive housing program.	90%	TBD
Achieve a high program compliance rate for participants in the McKinney and HIP supportive housing programs.	90%	TBD
Provide identified hoarders within the McKinney supportive housing program with remediation services and successfully mitigate safety issues within their housing units.	100%	TBD
Achieve goals for HOC operated programs at HOC properties.	95%	TBD
Maintain a high housing retention rate for residents that are served who are at imminent risk for eviction/termination.	98%	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.	90%	TBD

Performance Measurement Results (cont.)

FY 2017 Metrics		
Metric Description	Target/Goal	Actuals
Maintain a high housing retention rate for clients served that are at imminent risk of eviction	95%	NA
Achieve goals for HOC operated programs at HOC properties	80%	NA
Reduce the recidivism rate for residents appearing on the Court list through prevention workshops	70%	NA
Reduce the number of residents with disabilities and language barriers that are non-compliant with the recertification process through workshops and service coordination	90%	NA
Maintain executed and valid MOUs for all outside vendors providing services at HOC properties	95%	NA
Maintain a housing retention rate for clients housed under the McKinney Programs and Housing Initiative Program	97%	NA

Budget Overview—Resident Services Division

The total Adopted FY 2018 budgeted revenues for the Resident Services Division are \$14.98 million.

Personnel costs comprise 44.0% of the FY 2018 Adopted budget.

Revenue and Expense Statement

Resident Services Division	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Adopted Budget	FY 2018 Adopted Budget
Operating Income					
Tenant Income	\$476,895	\$566,353	\$748,830	\$757,430	\$758,990
Non-Dwelling Rental Income	0	\$190,000	\$0	\$0	\$0
Federal Grant	\$3,517,349	\$3,865,550	\$4,090,480	\$4,732,220	\$5,140,850
State Grant	\$170,530	\$194,723	\$157,080	\$174,100	\$174,080
County Grant	\$6,998,331	\$7,176,197	\$7,136,280	\$7,572,740	\$8,791,430
Miscellaneous Income	\$17,972	\$23,557	\$6,000	\$6,000	\$6,000
TOTAL OPERATING INCOME	\$11,181,077	\$12,016,380	\$12,138,670	\$13,242,490	\$14,871,350
Operating Expenses					
Personnel Expenses	\$5,287,387	\$5,335,395	\$5,382,550	\$6,182,050	\$6,356,170
Operating Expenses - Fees	\$642,835	\$1,059,569	\$715,900	\$800,740	\$820,720
Operating Expenses - Administrative	\$298,681	\$211,767	\$198,060	\$520,430	\$480,210
Tenant Services Expenses	\$3,762,337	\$4,201,598	\$4,747,990	\$5,233,610	\$6,457,510
Utilities Expenses	\$235,665	\$242,811	\$232,970	\$271,140	\$282,470
Insurance and Tax Expenses	\$28,550	\$16,330	\$20,880	\$19,820	\$26,800
Housing Assistance Payments (HAP)	\$724,214	\$479,800	\$0	\$0	\$0
TOTAL OPERATING EXPENSES	\$10,979,669	\$11,547,270	\$11,298,350	\$13,027,790	\$14,423,880
NET OPERATING INCOME	\$201,408	\$469,110	\$840,320	\$214,700	\$447,880
Non-Operating Income					
Investment Interest Income	\$96	\$23	\$0	\$0	\$0
Transfer Between Funds	\$362,820	\$940,394	\$87,510	\$62,540	\$114,950
TOTAL NON-OPERATING INCOME	\$362,916	\$940,417	\$87,510	\$62,540	\$114,950
Non-Operating Expenses					
Restricted Cash Flow	\$114,798	\$303,675	\$25,080	\$77,100	\$332,400
Transfer Out Between Funds	\$447,810	\$1,095,708	\$897,990	\$200,140	\$233,490
TOTAL NON-OPERATING EXPENSES	\$562,608	\$1,399,383	\$923,070	\$277,240	\$566,340
NET NON-OPERATING ADJUSTMENTS	(\$199,692)	(\$458,966)	(\$835,560)	(\$214,700)	(\$451,390)
NET CASH FLOW	\$1,716	\$10,144	\$4,760	\$0	(\$3,920)

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Capital Budget

Adopted Budget
June 7, 2017

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

Special points of interest:

The FY 2018 Capital Budget is \$205.8 million.

Capital Budget Summary Overview

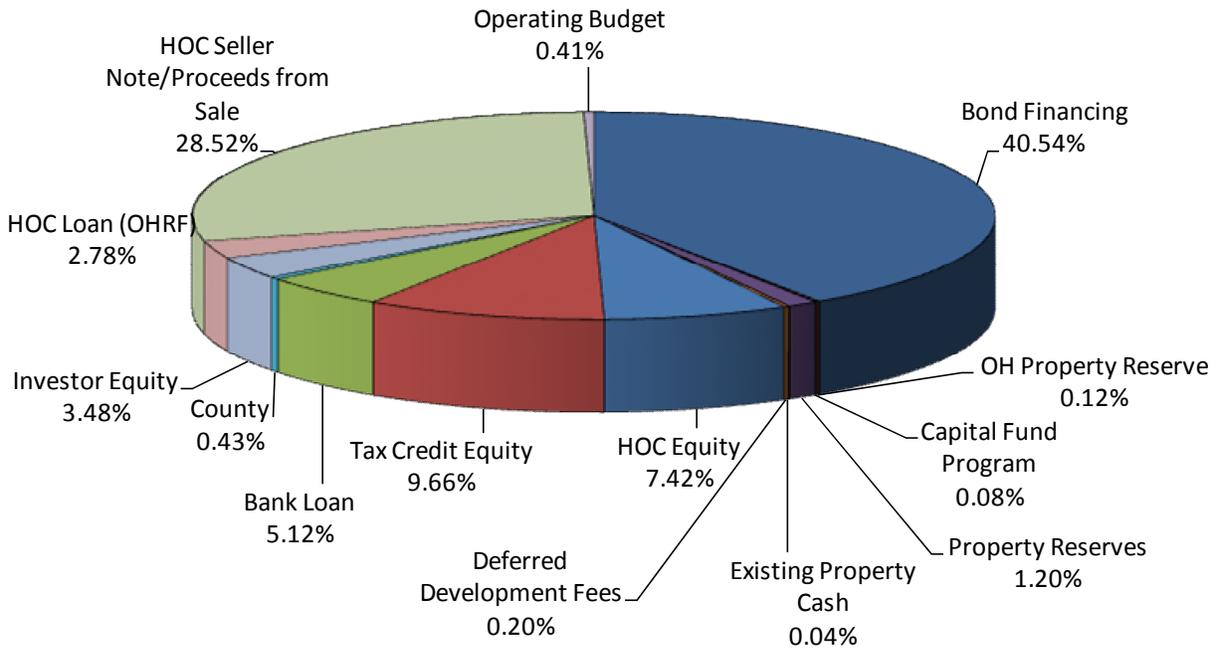
The total Adopted FY 2018 Capital Budget is \$205.8 million. The FY 2018 Capital Budget includes funds to maintain current Information Technology needs, as well as, improvements to the Kensington and East Deer Park Offices. Funds have also been included for capital improvements to HOC's Opportunity Housing and Development Corporation properties, as well as HOC's Public Housing properties.

The total Capital Improvements Budget for Opportunity Housing Properties will cost \$5.0 million in FY 2018.

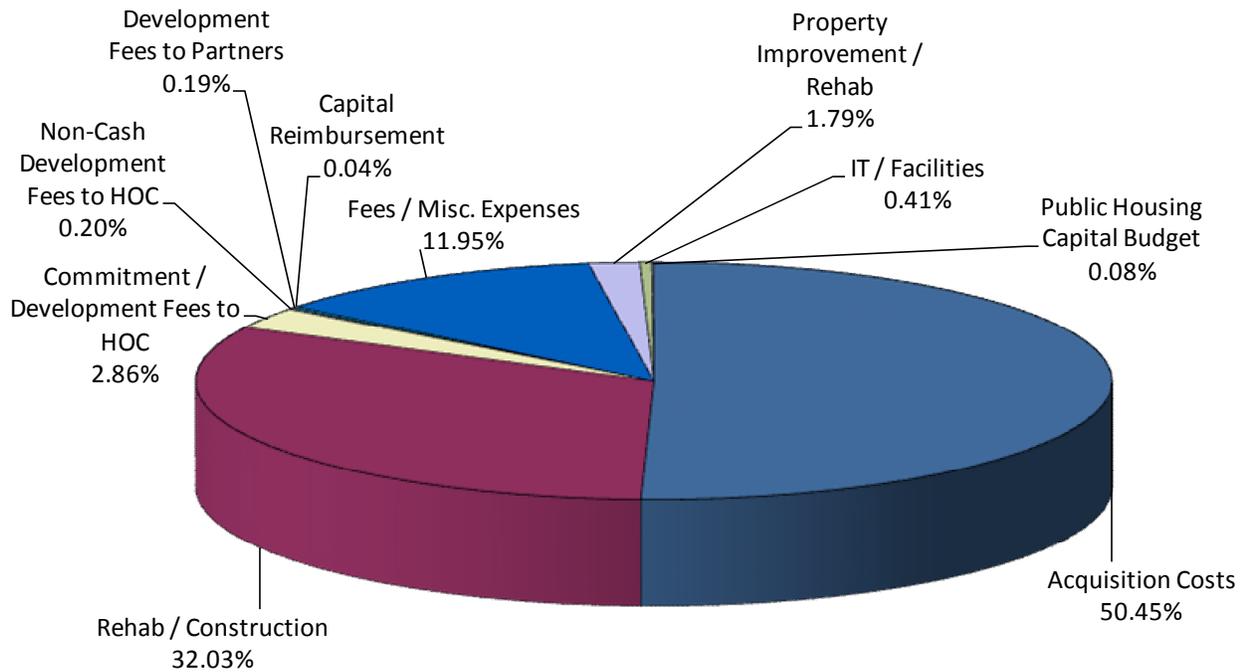
The Capital Development Budget includes funds for refinancing and renovations at twelve properties. The total development budget will cost \$199.7 million in FY 2018.

Capital Budget Summary	FY 2017 Adopted Budget	FY 2018 Adopted Budget
Capital Improvements		
East Deer Park	\$152,410	\$25,000
Kensington Office	\$250,000	\$25,000
Information Technology	\$810,000	\$988,880
Opportunity Housing Properties	\$5,222,920	\$5,025,524
Public Housing Properties	\$221,370	\$0
SUBTOTAL	\$6,656,700	\$6,064,404
Capital Development Projects		
900 Thayer	\$18,475,830	\$14,370,121
Alexander House	\$86,199,280	\$14,272,957
Ambassador	\$0	\$44,036,499
Arcola Towers	\$7,809,170	\$0
Bauer Park Apartments	\$22,491,480	\$44,036,499
Chevy Chase Lake	\$31,154,920	\$39,181,615
Elizabeth House III	\$21,765,600	\$41,655,648
Greenhills Apartments	\$18,521,970	\$20,368,301
Shady Grove	\$0	\$7,200,000
Stewartown	\$14,888,720	\$4,604,019
Timberlawn / Pomander Court	\$17,929,870	\$0
Town Center Apartments	\$33,240,620	\$6,085,457
Waverly House	\$13,031,780	\$1,033,430
SUBTOTAL	\$285,509,240	\$199,763,054
TOTAL	\$292,165,940	\$205,827,458

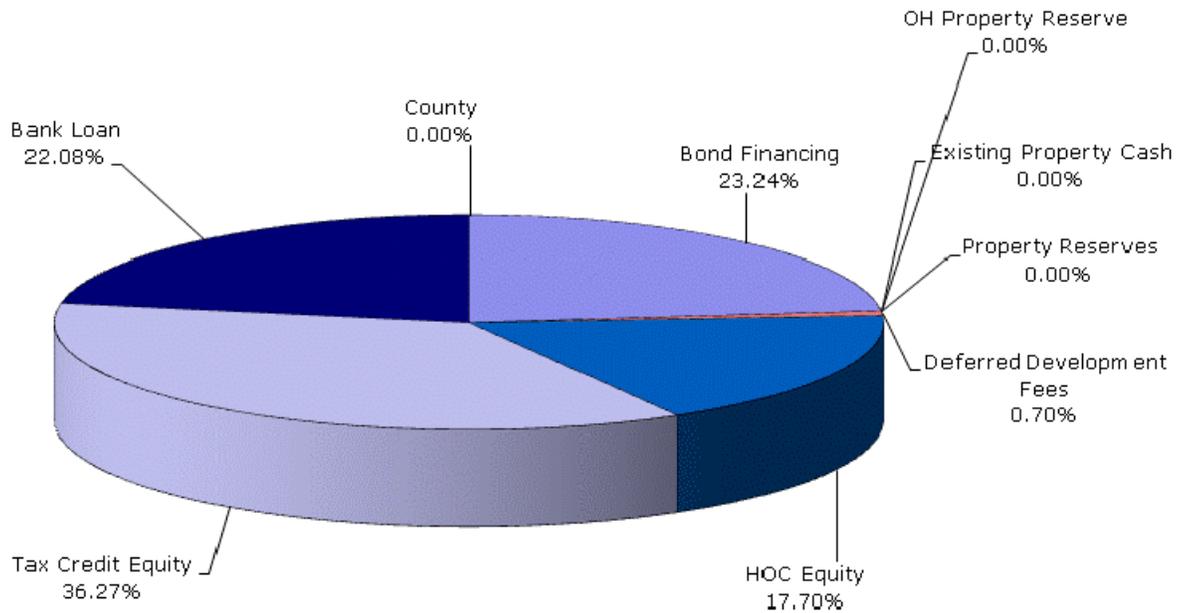
FY 2017—Source of Funds



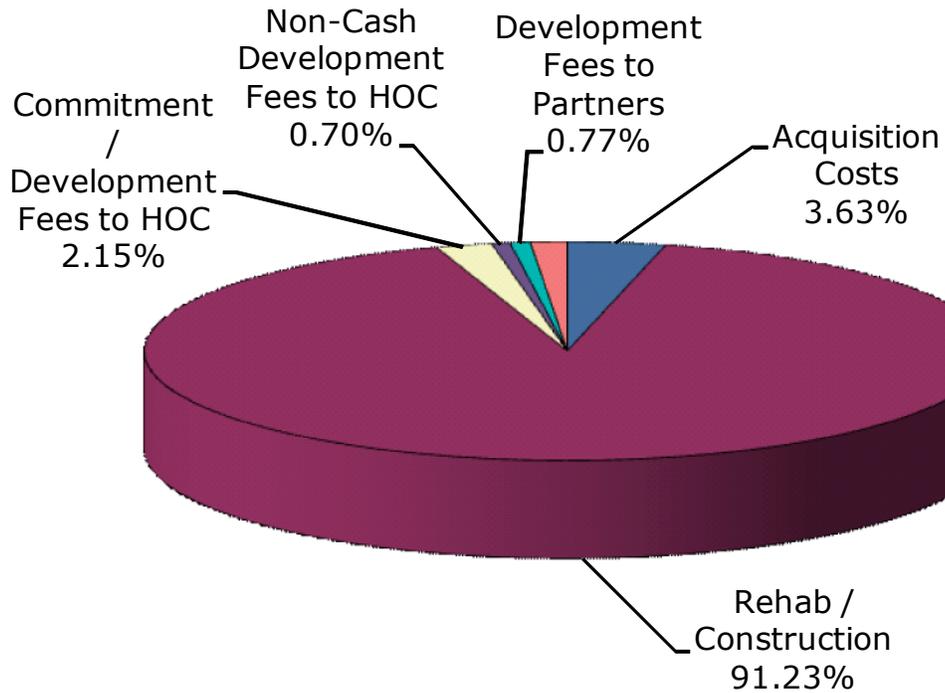
FY 2017—Use of Funds



FY 2018—Source of Funds



FY 2018—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 financed through a mortgage and payments are made out of property operating (rental) income. Higher development costs and/or higher interest rates translate into higher operating costs due to a larger mortgage. Initial operating deficits are projected throughout the development phase and documented in the capital development budget. Funds are committed through the State, the County and the Agency's Opportunity Housing Reserve Fund (OHRF) prior to financing and construction to cover initial operating deficits. The positive effects on the operating budget resulting from the capital development budget will be realized in future years.

Capital 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

Capital Improvement Budgets	FY 2017		FY 2018	
Facilities & IT Department	Adopted Budget		Adopted Budget	
		Revenue Sources		Revenue Sources
	Total	Operating	Total	RfR
	Expenses	Budget	Expenses	RfR
Facilities				
East Deer Park	\$152,400	\$152,400	\$25,000	\$25,000
Kensington	\$250,000	\$250,000	\$25,000	\$25,000
Subtotal - Facilities	\$402,400	\$402,400	\$50,000	\$50,000
Information Technology (IT)				
Computer Software	\$405,000	\$405,000	\$613,880	\$613,880
Computer Equipment	\$405,000	\$405,000	\$375,000	\$375,000
Subtotal - IT Improvements	\$810,000	\$810,000	\$988,880	\$988,880
TOTAL	\$1,212,400	\$1,212,400	\$1,038,880	\$1,038,880

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

Capital Improvements Budget
Opportunity Housing &
Development Corporations

FY 2017
Adopted Budget

	Total Expenses	Property Reserves	OH Property Property Reserve	Revenue Sources			FY 2017 RfR
				Existing Property Cash	County CIP		
Alexander House	\$207,160	\$207,160	\$0	\$0	\$0	\$0	\$0
Ambassador	\$3,900	\$3,900	\$0	\$0	\$0	\$0	\$0
Avondale Apartments	\$35,000	\$35,000	\$0	\$0	\$0	\$0	\$0
Barclay, The	\$36,570	\$36,570	\$0	\$0	\$0	\$0	\$0
Brook Park	\$840	\$840	\$0	\$0	\$0	\$0	\$0
Brookside Glen (The Glen)	\$113,160	\$113,160	\$0	\$0	\$0	\$0	\$0
CDBG-NSP-NCI	\$68,300	\$68,300	\$0	\$0	\$0	\$0	\$0
Chelsea Towers	\$12,000	\$12,000	\$0	\$0	\$0	\$0	\$0
Dale Drive	\$7,310	\$7,310	\$0	\$0	\$0	\$0	\$0
Diamond Square	\$270,050	\$270,050	\$0	\$0	\$0	\$0	\$0
Fairfax Court	\$34,810	\$34,810	\$0	\$0	\$0	\$0	\$0
Glenmont Crossing	\$138,650	\$138,650	\$0	\$0	\$0	\$0	\$0
Glenmont Westerly	\$175,250	\$175,250	\$0	\$0	\$0	\$0	\$0
Greenhills	\$106,580	\$106,580	\$0	\$0	\$0	\$0	\$0
Holiday Park	\$28,830	\$28,830	\$0	\$0	\$0	\$0	\$0
Jubilee Hermitage	\$1,850	\$1,850	\$0	\$0	\$0	\$0	\$0
Jubilee Horizon Court	\$1,000	\$1,000	\$0	\$0	\$0	\$0	\$0
Jubilee Woodedge	\$1,000	\$1,000	\$0	\$0	\$0	\$0	\$0
Ken Gar	\$10,000	\$10,000	\$0	\$0	\$0	\$0	\$0
Magruder's Discovery	\$41,280	\$41,280	\$0	\$0	\$0	\$0	\$0
McHome	\$81,280	\$4,400	\$60,480	\$0	\$0	\$0	\$16,400
McKendree	\$44,030	\$7,660	\$25,170	\$0	\$0	\$0	\$11,200
MetroPointe	\$61,800	\$61,800	\$0	\$0	\$0	\$0	\$0
Metropolitan	\$326,300	\$104,030	\$0	\$125,070	\$0	\$0	\$97,200
Montgomery Arms	\$59,820	\$59,820	\$0	\$0	\$0	\$0	\$0
MHLP VII	\$40,750	\$40,750	\$0	\$0	\$0	\$0	\$0
MHLP VIII	\$93,450	\$16,130	\$57,320	\$0	\$0	\$0	\$20,000
MPDU 2007 - Phase II	\$3,000	\$3,000	\$0	\$0	\$0	\$0	\$0
MPDU I (64)	\$55,000	\$55,000	\$0	\$0	\$0	\$0	\$0
TPM - MPDU II (59)	\$84,830	\$0	\$67,130	\$0	\$0	\$0	\$17,700
Oaks @ Four Corners, The	\$160,050	\$23,650	\$0	\$0	\$0	\$0	\$136,400
617 Olney Sandy Spring	\$1,000	\$0	\$1,000	\$0	\$0	\$0	\$0
Paddington Square	\$92,170	\$92,170	\$0	\$0	\$0	\$0	\$0
Paint Branch	\$21,400	\$450	\$12,550	\$0	\$0	\$0	\$8,400
Parkway Woods	\$2,500	\$2,500	\$0	\$0	\$0	\$0	\$0
TPM - Pomander Court	\$2,500	\$2,500	\$0	\$0	\$0	\$0	\$0
Pooks Hill High-Rise	\$113,000	\$113,000	\$0	\$0	\$0	\$0	\$0
Pooks Hill Mid-Rise	\$111,300	\$111,300	\$0	\$0	\$0	\$0	\$0
Sandy Spring Meadow	\$5,000	\$5,000	\$0	\$0	\$0	\$0	\$0
Scattered Site One	\$1,418,460	\$168,460	\$0	\$0	\$1,250,000	\$0	\$0
Scattered Site Two	\$64,260	\$64,260	\$0	\$0	\$0	\$0	\$0
Seneca Ridge	\$8,500	\$8,500	\$0	\$0	\$0	\$0	\$0
Sligo MPDU III	\$63,700	\$63,700	\$0	\$0	\$0	\$0	\$0
Southbridge	\$29,160	\$29,160	\$0	\$0	\$0	\$0	\$0
State Rental Combined	\$174,100	\$174,100	\$0	\$0	\$0	\$0	\$0
Strathmore Court	\$216,670	\$33,330	\$129,570	\$0	\$0	\$0	\$53,770
TPM - Timberlawn	\$13,040	\$13,040	\$0	\$0	\$0	\$0	\$0
Towne Center Place	\$5,000	\$5,000	\$0	\$0	\$0	\$0	\$0
VPC One	\$99,220	\$99,220	\$0	\$0	\$0	\$0	\$0
VPC Two	\$62,100	\$62,100	\$0	\$0	\$0	\$0	\$0
Washington Square	\$4,000	\$4,000	\$0	\$0	\$0	\$0	\$0
Westwood Tower	\$411,990	\$411,990	\$0	\$0	\$0	\$0	\$0
TOTAL	\$5,222,920	\$3,133,560	\$353,220	\$125,070	\$1,250,000	\$361,070	

current fiscal year, the capital improvements will be funded from the Opportunity Housing (OH) Property Reserve. For FY 2018, Montgomery County is providing \$1.25 million, each year, in funds for capital improvements for HOC's deeply affordable units

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 2018
Adopted Budget**

	Revenue Sources					
	Total Expenses	Property Reserves	OH Property Property Reserve	Existing Property Cash	County CIP	FY 2018 RFR
Alexander House	\$54,000	\$54,000	\$0	\$0	\$0	\$0
Avondale Apartments	\$33,660	\$0	\$23,660	\$0	\$10,000	\$0
Barclay, The	\$78,610	\$78,610	\$0	\$0	\$0	\$0
Brook Park	\$860	\$860	\$0	\$0	\$0	\$0
Brookside Glen (The Glen)	\$101,410	\$101,410	\$0	\$0	\$0	\$0
CDBG-NSP-NCI	\$70,200	\$0	\$39,000	\$0	\$31,200	\$0
Chelsea Towers	\$12,120	\$12,120	\$0	\$0	\$0	\$0
Dale Drive	\$4,250	\$4,250	\$0	\$0	\$0	\$0
Diamond Square	\$193,860	\$193,860	\$0	\$0	\$0	\$0
Fairfax Court	\$98,500	\$98,500	\$0	\$0	\$0	\$0
Glenmont Crossing	\$141,420	\$0	\$83,220	\$0	\$58,200	\$0
Glenmont Westerly	\$172,380	\$39,170	\$72,010	\$0	\$61,200	\$0
Greenhills	\$44,500	\$44,500	\$0	\$0	\$0	\$0
Holiday Park	\$18,610	\$11,230	\$0	\$0	\$7,380	\$0
Jubilee Falling Creek	\$2,500	\$2,500	\$0	\$0	\$0	\$0
Jubilee Hermitage	\$1,130	\$1,130	\$0	\$0	\$0	\$0
Jubilee Horizon Court	\$1,000	\$1,000	\$0	\$0	\$0	\$0
Jubilee Woodedge	\$1,000	\$1,000	\$0	\$0	\$0	\$0
Ken Gar	\$12,610	\$12,610	\$0	\$0	\$0	\$0
King Farm	\$1,000	\$0	\$0	\$0	\$1,000	\$0
Magruder's Discovery	\$40,120	\$40,120	\$0	\$0	\$0	\$0
McHome	\$81,400	\$0	\$65,000	\$0	\$16,400	\$0
McKendree	\$17,510	\$0	\$6,310	\$0	\$11,200	\$0
MetroPointe	\$63,040	\$63,040	\$0	\$0	\$0	\$0
Metropolitan	\$186,210	\$50,330	\$0	\$38,680	\$97,200	\$0
Montgomery Arms	\$45,650	\$45,650	\$0	\$0	\$0	\$0
MHLP VII	\$67,310	\$13,500	\$39,810	\$0	\$14,000	\$0
MHLP VIII	\$99,680	\$18,620	\$79,060	\$0	\$2,000	\$0
MPDU 2007 - Phase II	\$5,100	\$0	\$3,300	\$0	\$1,800	\$0
MPDU I (64)	\$59,810	\$48,300	\$0	\$0	\$11,510	\$0
TPM - MPDU II (59)	\$117,170	\$0	\$99,470	\$0	\$17,700	\$0
Oaks @ Four Corners, The	\$172,740	\$172,740	\$0	\$0	\$0	\$0
617 Olney Sandy Spring	\$1,000	\$0	\$700	\$0	\$300	\$0
Paddington Square	\$110,650	\$110,650	\$0	\$0	\$0	\$0
Paint Branch	\$22,020	\$0	\$13,620	\$0	\$8,400	\$0
Parkway Woods	\$2,550	\$2,550	\$0	\$0	\$0	\$0
TPM - Pomander Court	\$6,000	\$6,000	\$0	\$0	\$0	\$0
Pooks Hill High-Rise	\$262,420	\$262,420	\$0	\$0	\$0	\$0
Pooks Hill Mid-Rise	\$86,450	\$86,450	\$0	\$0	\$0	\$0
Sandy Spring Meadow	\$5,100	\$5,100	\$0	\$0	\$0	\$0
Scattered Site One	\$1,462,570	\$0	\$98,570	\$0	\$114,000	\$1,250,000
Scattered Site Two	\$91,080	\$90,390	\$0	\$0	\$690	\$0
Seneca Ridge	\$15,000	\$15,000	\$0	\$0	\$0	\$0
Sligo MPDU III	\$44,780	\$0	\$35,580	\$0	\$9,200	\$0
Southbridge	\$35,730	\$35,730	\$0	\$0	\$0	\$0
State Rental Combined	\$215,160	\$215,160	\$0	\$0	\$0	\$0
Strathmore Court	\$174,350	\$0	\$120,570	\$0	\$53,780	\$0
TPM - Timberlawn	\$35,810	\$29,340	\$0	\$0	\$6,470	\$0
Towne Center Place	\$5,100	\$5,100	\$0	\$0	\$0	\$0
VPC One	\$68,000	\$68,000	\$0	\$0	\$0	\$0
VPC Two	\$30,000	\$30,000	\$0	\$0	\$0	\$0
Washington Square	\$8,000	\$8,000	\$0	\$0	\$0	\$0
Westwood Tower	\$344,600	\$208,010	\$0	\$0	\$136,590	\$0
TOTAL	\$5,025,730	\$2,286,950	\$779,820	\$38,680	\$670,220	\$1,250,000

Capital Improvement Budget—Public Housing Properties

Public Housing Property Improvements

A Federal grant program called Capital Fund Program currently funds Public Housing capital improvements. This HUD program requires a long-range capital plan for each Public Housing property. For FY 2018, the Commission expects to receive a grant for \$594 thousand and \$281 thousand, respectively, for Public Housing properties. These funds have decreased as the properties convert out of Public Housing through the Rental Assistance Demonstration (RAD) Program. It is anticipated that

the funds will no longer be used for Capital Improvements in FY 2018.

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

For FY 2018, Montgomery County continued the funding necessary to complete the installation of sprinkler systems at Arcola Towers via the Capital Improvements (CIP) Program.

Capital Improvement Budgets		FY 2018	
Public Housing Properties		Adopted Budget	
	Total Expenses	Revenue Sources	
		Capital Fund Program (Yr.25)	
Administration	\$28,886	\$28,886	
RAD Investment Activity	\$259,972	\$259,972	
TOTAL	\$288,858	\$288,858	

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 2018 Capital Development Budget anticipates development and/or renovations of the following properties: 900 Thayer, Alexander House, Ambassador, Arcola Towers, Bauer Park Apartments, Chevy Chase Lake Apartments, Elizabeth House III, Greenhills Apartments, Stewartown, Timberlawn/Pomander Court, Town Center Apartments, and Waverly House.

Capital Development Projects

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 already has Site Plan approval for 124 residential units with 5,500 square feet of ground-floor retail space.

The future community at 900 Thayer 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 900 Thayer 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 900 Thayer 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.

Capital Development Projects (cont.)

900 Thayer

Expenditure Schedule

Cost Element	Total	FY 2017	FY 2018	FY 2019
Acquisition Costs	\$5,500,000	\$5,500,000	\$0	\$0
Rehab / Construction	\$21,555,180	\$7,185,060	\$14,370,120	\$0
Commitment / Development Fees to HOC	\$1,431,670	\$681,670	\$0	\$750,000
Non-Cash Development Fees to HOC	\$1,250,000	\$0	\$0	\$1,250,000
Fees / Misc. Expenses	\$5,109,100	\$5,109,100	\$0	\$0
Total	\$34,845,950	\$18,475,830	\$14,370,120	\$2,000,000

Funding Schedule

Funding Source	Total	FY 2017	FY 2018	FY 2019
Bond Financing	\$12,111,510	\$6,880,940	\$5,230,570	\$0
Tax Credit Equity	\$7,334,320	\$2,444,770	\$4,139,550	\$750,000
HOC Equity (Soft Loan)	\$7,519,280	\$2,519,280	\$5,000,000	\$0
HOC Loan (OHRF)	\$6,630,840	\$6,630,840	\$0	\$0
Deferred Development Fees	\$1,250,000	\$0	\$0	\$1,250,000
Total	\$34,845,950	\$18,475,830	\$14,370,120	\$2,000,000

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, MD, nearby 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 are expected to begin by the middle of FY 2017. A 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 housing units to a LIHTC limited partnership with 183 units to be retained and offered as market rate units.

Capital Development Projects (cont.)

Staff is proposing to completely renovate the Alexander House Apartments over the next two years. The renovation will occur in phases (by apartment tier or in 15 to 16 unit increments) as units are vacated by tenants. Thus, the Alexander House Apartments will maintain an occupancy level of 70% to 80% over the renovation period. The renovation is expected to be completed by June 30, 2018. The unit count will decrease to 305 units upon completion of the renovation because Alexander House Apartment 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.

Alexander House

Expenditure Schedule

Cost Element	Total	FY 2017	FY 2018	FY 2019
Acquisition Costs	\$69,898,770	\$69,898,770	\$0	\$0
Rehab / Construction	\$28,545,920	\$7,136,480	\$14,272,960	\$7,136,480
Commitment / Development Fees to HOC	\$3,616,860	\$1,616,860	\$0	\$2,000,000
Fees / Misc. Expenses	\$7,547,170	\$7,547,170	\$0	\$0
Total	\$109,608,720	\$86,199,280	\$14,272,960	\$9,136,480

Funding Schedule

Funding Source	Total	FY 2017	FY 2018	FY 2019
Bond Financing	\$55,843,100	\$40,034,070	\$10,000,000	\$5,809,030
Tax Credit Equity	\$14,600,410	\$7,000,000	\$4,272,960	\$3,327,450
Seller Note	\$39,165,210	\$39,165,210	\$0	\$0
Total	\$109,608,720	\$86,199,280	\$14,272,960	\$9,136,480

Ambassador

Originally constructed in 1964, the Ambassador was converted from a hotel to multifamily residential use in 1992 as a seven-story mixed-use commercial and multifamily structure which is separated into four condominium units. HOC's two condominium units interests consist of 162 multifamily units situated on levels two through seven and the corresponding parking areas.

As a result of more rapid than expected deterioration over the past year, the Ambassador House's condition is such that HOC can no longer responsibly house residents in it. A tenant relocation plan was approved by the Commission. The occupancy at March 31, 2016 was 41.4%.

HOC is contemplating a mixed-use, mixed-income redevelopment that would deliver approximately 225 residential units, 67,000 square feet of office

Capital Development Projects (cont.)

space, and 15,000 square feet of retail space. Of the 225 residential units, 40% would be affordable and financed with 4% Low Income Housing Tax Credits. The redevelopment plan is currently in

initial feasibility phase. The next phase, which is the entitlements and permitting process, is expected to take approximately three years in Montgomery County. Initial closing is not anticipated until FY 2018.

Ambassador

Expenditure Schedule

Cost Element	Total	FY 2018	FY 2020	FY 2021
Acquisition Costs	\$6,654,590	\$6,654,590	\$0	\$0
Rehab / Construction	\$34,089,050	\$34,089,050	\$0	\$0
Commitment / Development Fees to HOC	\$946,250	\$446,250	\$312,500	\$187,500
Development Fees to Pennrose	\$1,875,000	\$375,000	\$937,500	\$562,500
Fees / Misc. Expenses	\$2,471,610	\$2,471,610	\$0	\$0
Total	\$46,036,500	\$44,036,500	\$1,250,000	\$750,000

Funding Schedule

Funding Source	Total	FY 2018	FY 2020	FY 2021
Bond Financing	\$12,894,380	\$12,894,380	\$0	\$0
Tax Credit Equity	\$25,392,120	\$23,392,120	\$1,250,000	\$750,000
HOC Equity	\$7,750,000	\$7,750,000	\$0	\$0
Total	\$46,036,500	\$44,036,500	\$1,250,000	\$750,000

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 has 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 includes the replacement of windows, interior and exterior doors, HVAC systems, kitchen floor plan reconfiguration, and exterior facades. Interior

work requires 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 is funded from the proceeds of Low Income Housing Tax Credits of approximately \$8.4 million, private activity, tax-exempt bonds of approximately \$13.0 million, a seller note of approximately \$11.5 million, and federal funds of approximately \$1.6 million. Of the total project costs, \$13 million is budgeted for the acquisition of the Property. An additional \$20.2 million will fund renovation, financing, reserves and other soft costs, and approximately \$1.3 million for development fees to HOC. Renovation began in the first half of FY 2016 and will take place in and around both

Capital Development Projects (cont.)

occupied and vacant units. Post conversion and closing, Arcola is now owned by a limited partnership in which HOC will serve as the managing general partner.

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 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.

Arcola Towers

Expenditure Schedule

Cost Element	Total	Through FY 2015	Estimated FY 2016	FY 2017
Acquisition Costs	\$13,072,270	\$0	\$13,072,270	\$0
Rehab / Construction	\$12,122,370	\$0	\$7,175,300	\$4,947,070
Commitment / Development Fees to HOC	\$2,094,240	\$0	\$261,460	\$1,832,780
Non-Cash Development Fees to HOC	\$667,220	\$0	\$625,000	\$42,220
Fees / Misc. Expenses	\$2,890,300	\$70,020	\$1,833,180	\$987,100
Total	\$30,846,400	\$70,020	\$22,967,210	\$7,809,170

Funding Schedule

Funding Source	Total	Through FY 2015	Estimated FY 2016	FY 2017
Bond Financing	\$6,116,780	\$0	\$3,296,900	\$2,819,880
Tax Credit Equity	\$9,102,740	\$0	\$4,155,670	\$4,947,070
Federal CFP Funds	\$1,613,330	\$70,020	\$1,543,310	\$0
County CIP	\$1,898,330	\$0	\$1,898,330	\$0
HOC Equity/Seller's Note	\$11,448,000	\$0	\$11,448,000	\$0
Deferred Development Fees	\$667,220	\$0	\$625,000	\$42,220
Total	\$30,846,400	\$70,020	\$22,967,210	\$7,809,170

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 efficiency, one-bedroom and two-bedroom apartments.

Capital Development Projects (cont.)

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 FY2018 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 \$8.6 million Low Income Housing Tax Credit equity; private activity, tax-exempt bonds of approximately \$11.2 million; and a seller note of approximately \$10.4 million. Of the total project costs, \$13.3 million is budgeted for the

acquisition of the Property. An additional \$11.4 million will fund renovation, and the remaining \$5.5 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.

Capital Development Projects (cont.)

Bauer Park

Expenditure Schedule

Cost Element	Total	FY 2017	FY 2018	FY 2019
Acquisition Costs	\$13,299,770	\$13,299,770	\$0	\$0
Rehab / Construction	\$11,410,020	\$5,705,010	\$5,705,010	\$0
Commitment / Development Fees to HOC	\$1,723,720	\$523,720	\$750,000	\$450,000
Development Fees to Victory	\$1,000,000	\$200,000	\$500,000	\$300,000
Fees / Misc. Expenses	\$2,762,980	\$2,762,980	\$0	\$0
Total	\$30,196,490	\$22,491,480	\$6,955,010	\$750,000

Funding Schedule

Funding Source	Total	FY 2017	FY 2018	FY 2019
Bond Financing	\$11,185,860	\$9,075,920	\$2,109,940	\$0
Tax Credit Equity	\$8,595,070	\$3,000,000	\$4,845,070	\$750,000
Seller Note	\$10,415,560	\$10,415,560	\$0	\$0
Total	\$30,196,490	\$22,491,480	\$6,955,010	\$750,000

Chevy Chase Lake

The proposed, newly constructed Chevy Chase Lake multifamily building is a mixed-income community to be developed on the western portion of the existing Chevy Chase Lake Apartment site. The previous property consisted of 68 units in 5 garden style apartment buildings. The units were renovated almost ten years ago; however, the renovations did not meet the HOC current standards. The site is being redeveloped because the units are functionally obsolete and it lacks modern amenities. A portion of the land was sold to Eakin-Youngentob and Associated for the development of 62 townhomes. HOC is working with EYA to redevelop the remaining portion of the

site as 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 is expected to close in October 2016 with construction to start immediately thereafter and delivery of the finished units in 2018. The construction loan will be funded from a United Bank loan. HOC and private equity will complete 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.

Capital Development Projects (cont.)

Chevy Chase Lake

Expenditure Schedule

Cost Element	Total	Through FY 2015	Estimated FY 2016	FY 2017	FY 2018
Acquisition Costs	\$1,575,000	\$0	\$0	\$1,575,000	\$0
Rehab / Construction	\$71,889,550	\$569,600	\$2,558,420	\$29,579,920	\$39,181,610
Total	\$73,464,550	\$569,600	\$2,558,420	\$31,154,920	\$39,181,610

Funding Schedule

Funding Source	Total	Through FY 2015	Estimated FY 2016	FY 2017	FY 2018
Bank Construction Loan	\$50,005,830	\$0	\$0	\$10,824,220	\$39,181,610
HOC Equity (50%)	\$11,729,360	\$284,800	\$1,279,210	\$10,165,350	\$0
Investor Equity (50%)	\$11,729,360	\$284,800	\$1,279,210	\$10,165,350	\$0
Total	\$73,464,550	\$569,600	\$2,558,420	\$31,154,920	\$39,181,610

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 15 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 project is currently under review by the Montgomery County Planning Board for detail site plan approval. The Preliminary Project Plan was approved on July 23, 2015 and was very well received by the community.

The preliminary 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 2017 and be completed in mid-2019. Elizabeth IV is scheduled to start construction in mid-2019 and be completed in 2021.

Elizabeth Square will deliver a 90,000 square feet 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.

Capital Development Projects (cont.)

Elizabeth House III

Expenditure Schedule

Cost Element	Total	FY 2017	FY 2018	FY 2019
Acquisition Costs	\$1,053,140	\$1,053,140	\$0	\$0
Rehab / Construction	\$83,311,280	\$10,413,910	\$41,655,650	\$31,241,720
Commitment / Development Fees to HOC	\$2,503,910	\$1,163,910	\$0	\$502,500
Development Fees to LDG	\$825,000	\$165,000	\$0	\$247,500
Fees / Misc. Expenses	\$8,969,640	\$8,969,640	\$0	\$0
Total	\$96,662,970	\$21,765,600	\$41,655,650	\$31,991,720

Funding Schedule

Funding Source	Total	FY 2017	FY 2018	FY 2019
Bond Financing	\$41,445,630	\$7,552,190	\$18,000,000	\$15,893,440
Tax Credit Equity	\$9,678,840	\$1,076,550	\$5,000,000	\$2,352,290
HOC Equity (Soft Loan)	\$4,136,860	\$4,136,860	\$0	\$0
HOC Loan (OHRF)	\$41,401,640	\$9,000,000	\$18,655,650	\$13,745,990
Total	\$96,662,970	\$21,765,600	\$41,655,650	\$31,991,720

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's covenants restrict 24 units or 31% of units to households that do not exceed 60% AMI. However, since the Damascus area is naturally affordable, the affordable units have been restricted operationally to households that do not exceed 50% AMI. An increase in the number of affordable units at the property is being considered.

Greenhills has not undergone any significant renovation since it was originally built 30 years ago. The approved Redevelopment Plan addresses both interior and exterior unit upgrades including kitchen and bath finishes/fixtures, gutters, windows and roof replacements. Additional site improvements are planned as well. Energy efficiency of the units will also be addressed by upgrading all appliances and mechanical/plumbing

equipment to ensure that residents truly experience affordable living by lowering the monthly energy costs for their homes.

During the due diligence period, it was found that Greenhills Apartments would need to broaden its scope of work to cure for moisture penetration in some units and include the newly developed HOC Standard Finish Schedule. Staff worked with the design team to detail the new scope and issued a new RFP to contractors for updated pricing in the fourth quarter of FY 2016.

The amended renovation plan will be supported by refinancing the existing loan and funded by way of: proceeds of private activity, tax-exempt bonds of approximately \$10.2 million with a mortgage insured under the FHA Risk Sharing program; Low Income Housing Tax Credits of \$4.1 million; a seller's note of \$10.8 million; HOC loan of \$1.5 million; and, deferred Developer's Fees of \$2.1 million. Of the total project costs, \$12.4 million is budgeted for acquisition (supported by appraisal) and payoff of existing debt, \$6.65 million for renovation costs, and the remaining \$5.4 million for consultants, financing,

Capital Development Projects (cont.)

fees and other soft costs. Renovation will begin in the first quarter of FY 2017.

The planned improvements will not only address curb appeal but also, and more importantly, increase energy efficiency and allow the property to continue to compete in the market. The scope

of the renovation will involve exterior work to include the replacement of siding, gutters, windows, roof and decks; interior to include kitchen and bathroom upgrades; new fixtures and energy efficient lighting; and new HVAC units and water heaters.

Greenhills

Expenditure Schedule

Cost Element	Total	FY 2018	FY 2019
Acquisition Costs	\$12,040,000	\$12,040,000	\$0
Rehab / Construction	\$7,135,790	\$5,823,978	\$1,311,812
Commitment / Development Fees to HOC	\$2,705,886	\$724,534	\$1,981,352
Non-Cash Development Fees to HOC	\$0	\$0	\$0
Fees / Misc. Expenses	\$3,652,400	\$1,779,789	\$1,872,611
Total	\$25,534,076	\$20,368,301	\$5,165,775

Funding Schedule

Funding Source	Total	FY 2018	FY 2019
Bond Financing	\$11,081,537	11,081,537	\$0
Tax Credit Equity	\$5,602,825	1,120,565	\$4,482,260
HOC - Line of Credit	\$378,244	378,244	\$0
Bridge Loan (Short Term)	\$1,988,164	86,485	\$1,901,679
Pay off Bridge Loan (Short Term)	(\$1,988,164)	\$0	(\$1,988,164)
Seller Note	\$7,701,470	7,701,470	\$0
Deferred Development Fees	\$770,000	0	770,000
Total	\$25,534,076	\$20,368,301	\$5,165,775

Stewartown

Stewartown consists of 14 garden-townhome buildings totaling 94 units. The mix includes 14 – 2 bedroom 1 baths (854 square feet), 33 – 2 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 Montgomery County, near Montgomery Village (exit 11 of 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

Capital Development Projects (cont.)

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

Stewartown Homes

Expenditure Schedule

Cost Element	Total	FY 2017	FY 2018	FY 2019
Acquisition Costs	\$8,804,070	\$8,804,070	\$0	\$0
Rehab / Construction	\$7,553,110	\$3,776,550	\$3,776,560	\$0
Commitment / Development Fees to HOC	\$1,803,020	\$479,080	\$827,460	\$496,480
Fees / Misc. Expenses	\$1,829,020	\$1,829,020	\$0	\$0
Total	\$19,989,220	\$14,888,720	\$4,604,020	\$496,480

Funding Schedule

Funding Source	Total	FY 2017	FY 2018	FY 2019
Bond Financing	\$7,404,720	\$6,008,000	\$1,396,720	\$0
Tax Credit Equity	\$5,689,690	\$1,985,910	\$3,207,300	\$496,480
Seller Note	\$6,894,810	\$6,894,810	\$0	\$0
Total	\$19,989,220	\$14,888,720	\$4,604,020	\$496,480

Capital Development Projects (cont.)

new or renovated housing, those residents may ultimately be required to move.

Timberlawn / Pomander Court

Timberlawn Crescent: Timberlawn Crescent (Timberlawn) is located in North Bethesda off of Tuckerman Lane midway between Old Georgetown Road and Rockville Pike. Timberlawn is a 107-unit, garden-style community built in two phases between 1988 and 1990. The property consists of 84 townhome style units (two level living) and 23 one level apartments to include 1, 2 and 3 bedroom units located throughout the property. Of the 107 units, 53 units are restricted to rents that are at or below 30%, 50% and 60% of the Area Median Income (AMI). The remaining 54 units are market rate. Timberlawn is located on 4.32 acres and has a total of 286 surface parking spaces. The apartments offer a pantry, wood cabinets, frost-free refrigerator with ice maker, dishwasher, and disposal with a separate dining area. In addition, each unit has an individual washer/dryer combination unit, patio or deck, private entrance, and ceiling fans. The apartments are conditioned by heat pumps.

The interior of the units had not been renovated since they were completed in 1990. The kitchens and bathrooms were depressing the market rate rents, and, in general, the units did not meet HOC's design and efficiency guidelines. Interior renovations began in 2015 and will complete in the second quarter of FY 2017. Interior renovations include: replacing kitchen appliances, cabinets and countertops, bath finishes and fixtures, flooring throughout, fresh paint and installing new HVAC systems and water heaters.

In 2013 it was determined that exterior building and site improvements were required. In 2014, Phase I of the exterior renovations commenced and included: new windows, wood siding, decks and railing; correcting the drainage along the east side of the site; and, landscaping. Phase II of the

exterior renovations will include: replacement of energy inefficient/outdated exterior lighting, parking lot repairs, updating the community playground and picnic area and property bench replacement. Phase II is expected to commence in the fourth quarter of FY 2016 with an anticipated completion in the second quarter of FY 2017.

Pomander Court: Pomander Court (Pomander) is a 24-unit clustered townhome community located on University Boulevard, convenient to bus transportation and within an easy drive to the Wheaton Metro station. Twenty percent (20%) of the units are priced at or below 60% AMI. The units are three-bedroom homes with unfinished basements. The buildings have flat front brick facades with shingled roofs. While the living areas are ample in design, the floor plans; however, do not provide an open layout.

Pomander is a solid development in a desirable neighborhood, but was in need of substantial interior renovation and exterior upgrading. In addition to severe plumbing problems, the interior required new kitchens, bathrooms, and flooring in order to meet HOC's design and efficiency guidelines established for all HOC properties. Renovation commenced in 2015 and were completed in the fourth quarter of FY 2016. Those interior renovations included: providing an open floor plan on the main floor; replacing kitchen appliances, cabinets and countertops; refinishing hardwood flooring and replacing carpet; painting throughout; repairs to cracked plumbing lines; and installing sump pumps and additional structural supports. Exterior renovations included installing new doors, replacing aged canopies, repairing the drainage system, improving the landscaping, and other repairs as needed.

In FY 2017 it is anticipated that Timberlawn/Pomander Court will be permanently financed with FHA/FFB Financing for approximately \$18 million. The FHA/FFB taxable loan will include acquisition

Capital Development Projects (cont.)

costs of approximately \$9.6 million, renovation costs of approximately \$7.5 million, and the

balance supporting development soft costs and financing expenses. This financing will retire all

Timberlawn/Pomander Court

Expenditure Schedule

Cost Element	Total	FY 2017
Acquisition Costs	\$9,607,690	\$9,607,690
Rehab / Construction	\$7,200,000	\$7,200,000
Commitment / Development Fees to HOC	\$358,600	\$358,600
Capital Reimbursement	\$122,840	\$122,840
Fees / Misc. Expenses	\$640,740	\$640,740
Total	\$17,929,870	\$17,929,870

Funding Schedule

Funding Source	Total	FY 2017
Bond Financing	\$17,929,870	\$17,929,870
Total	\$17,929,870	\$17,929,870

existing debt drawn on the PNC Real Estate Line of Credit (RELOC).

Town Center Apartments

Town Center Apartments was originally constructed in 1977 and is located at 90 Monroe Street in Rockville, just across street from the County's Executive Office Building and just a few blocks from the Rockville Metro and the Rockville Library. The ten-story building has 74 one-bedroom apartments and 37 efficiencies.

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 properties 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. The renovation is planned to commence in FY2018 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 \$10.8 million Low Income Housing Tax Credit equity; private activity, tax-exempt bonds of approximately \$9 million; and a seller note of approximately \$20.3 million. Of the total project costs, \$25.3 million is budgeted for the acquisition of the Property. An additional \$9.7 million will fund renovation, and the remaining \$5.2 million will fund financing, reserves and other soft costs and development fees. Post conversion and closing, the property 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, Bauer Park). 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 100 units or 90% of the units to households that do not exceed 60% AMI. At

Capital Development Projects (cont.)

least 75% of the assisted units must serve families at or below 30% AMI. The remaining 12 units will all be restricted

Town Center Apartments

Expenditure Schedule

Cost Element	Total	FY 2017	FY 2018	FY 2019
Acquisition Costs	\$25,251,170	\$25,251,170	\$0	\$0
Rehab / Construction	\$9,670,920	\$4,835,460	\$4,835,460	\$0
Commitment / Development Fees to	\$1,680,850	\$480,850	\$750,000	\$450,000
Development Fees to VHI	\$1,000,000	\$200,000	\$500,000	\$300,000
Fees / Misc. Expenses	\$2,473,140	\$2,473,140	\$0	\$0
Total	\$40,076,080	\$33,240,620	\$6,085,460	\$750,000

Funding Schedule

Funding Source	Total	FY 2017	FY 2018	FY 2019
Bond Financing	\$9,042,550	\$9,042,550	\$0	\$0
Tax Credit Equity	\$10,774,070	\$3,938,610	\$6,085,460	\$750,000
Seller Note	\$20,259,460	\$20,259,460	\$0	\$0
Total	\$40,076,080	\$33,240,620	\$6,085,460	\$750,000

to households at or below 60% AMI. It is anticipated that post-renovation the utility costs and overall property maintenance costs will be reduced.

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 158 units in which 156 are one-bedroom units and 2 two-bedroom units currently used for offices.

Waverly House is a 40 year 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 will entail 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 is funded from the proceeds of Low Income Housing Tax Credits of approximately \$14.6 million, private activity, tax-exempt bonds of approximately \$22.3 million, a seller note of approximately \$23 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 \$31.8 million will fund renovation, financing, reserves and other soft costs, and approximately \$2 million for 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. Post conversion and closing, Waverly is now owned by a limited partnership in which HOC serves as the managing general partner.

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

Capital Development Projects (cont.)

sustainable and competitive within the rental marketplace.

The RAD covenants will provide subsidy to 151 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 also be restricted to households at or below 60% AMI.

Waverly House

Expenditure Schedule

Cost Element	Total	Through FY 2015	Estimated FY 2016	FY 2017	FY 2018
Acquisition Costs	\$27,637,050	\$0	\$27,637,050	\$0	\$0
Rehab / Construction	\$13,901,310	\$0	\$3,767,880	\$10,133,430	\$0
Commitment / Development Fees to HOC	\$2,513,920	\$0	\$859,860	\$620,630	\$1,033,430
Non-Cash Development Fees to HOC	\$432,200	\$0	\$0	\$432,200	\$0
Capital Reimbursement	\$0	\$0	\$0	\$0	\$0
Fees / Misc. Expenses	\$3,459,900	\$81,580	\$1,532,800	\$1,845,520	\$0
Total	\$47,944,380	\$81,580	\$33,797,590	\$13,031,780	\$1,033,430

Funding Schedule

Funding Source	Total	Through FY 2015	Estimated FY 2016	FY 2017	FY 2018
Bond Financing	\$8,425,490	\$0	\$7,959,530	\$10,404,930	(\$9,938,970)
Tax Credit Equity	\$14,630,150	\$0	\$1,463,100	\$2,194,650	\$10,972,400
Federal CFP Funds	\$1,501,690	\$81,580	\$1,420,110	\$0	\$0
HOC Equity/Seller's Note	\$22,954,850	\$0	\$22,954,850	\$0	\$0
Deferred Development Fees	\$432,200	\$0	\$0	\$432,200	\$0
Total	\$47,944,380	\$81,580	\$33,797,590	\$13,031,780	\$1,033,430

Capital Development Projects (cont.)

Shady Grove

Expenditure Schedule

Cost Element	Total	FY 2018	FY 2019	FY 2020	FY 2021
Acquisition Costs	\$22,000,000	\$22,000,000	\$0	\$0	\$0
Rehab / Construction	\$10,800,000	*\$7,200,000	\$3,600,000	\$0	\$0
Commitment Fees to HOC	\$130,000	\$130,000	\$0	\$0	\$0
Development Fees to HOC	\$2,500,000	\$500,000	\$2,000,000	\$0	\$0
Non-Cash Development Fees to HOC	\$0	\$0	\$0	\$0	\$0
Capital Reimbursement	\$0	\$0	\$0	\$0	\$0
Fees / Misc. Expenses	\$3,000,000	\$1,500,000	\$1,500,000	\$0	\$0
Total	\$38,430,000	\$31,330,000	\$7,100,000	\$0	\$0

Funding Schedule

Funding Source	Total	FY 2018	FY 2019	FY 2020	FY 2021
Bond Financing	\$6,500,000	\$4,700,000	\$1,800,000	\$0	\$0
Tax Credit Equity	\$10,700,000	\$5,400,000	\$5,300,000	\$0	\$0
HOC Equity/Seller's Note	\$21,230,000	\$21,230,000	\$0	\$0	\$0
Total	\$38,430,000	\$31,330,000	\$7,100,000	\$0	\$0

*\$7.2M in Rehab/Construction cost determined during time of FY 18 Budget Adoption, \$24.1M in other related cost including Acquisition, Commitment, Development, and Misc Expenses are included above for a more real time total.

Built in 1980, and renovated in 1999 using 4% LIHTC equity, Shady Grove Apartments is a Project Based Section 8 ("PBS8") rental community along Crabbs Branch Way. In FY 2018, HOC staff will likely bring forward a plan to comprehensively renovate the property funded by 4% LIHTC equity and tax exempt bonds.

All 144 units are supported by the PBS8 contract delivering deep affordability less than three quarters of a mile from the Shady Grove Metro station. The property consist of five three-story buildings on six acres.

Opportunity Housing Reserve Fund (OHRF)

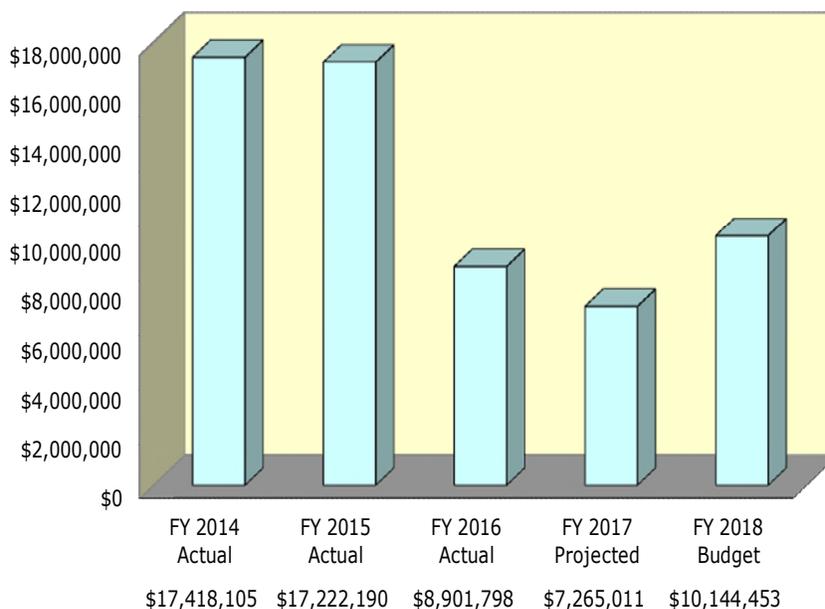
HOC established the OHRF in 1980 initially to address the use of revenues generated from the sale of bonds under the Single Family Mortgage Purchase Program. Today, the OHRF is a repository of proceeds from various HOC activities, whose primary purpose is the production of affordable housing.

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 2018 Adopted Budget projects a year-end balance of \$10.14 million in the OHRF.

OHRF Year-End Balances



Opportunity Housing Reserve Fund (OHRF)

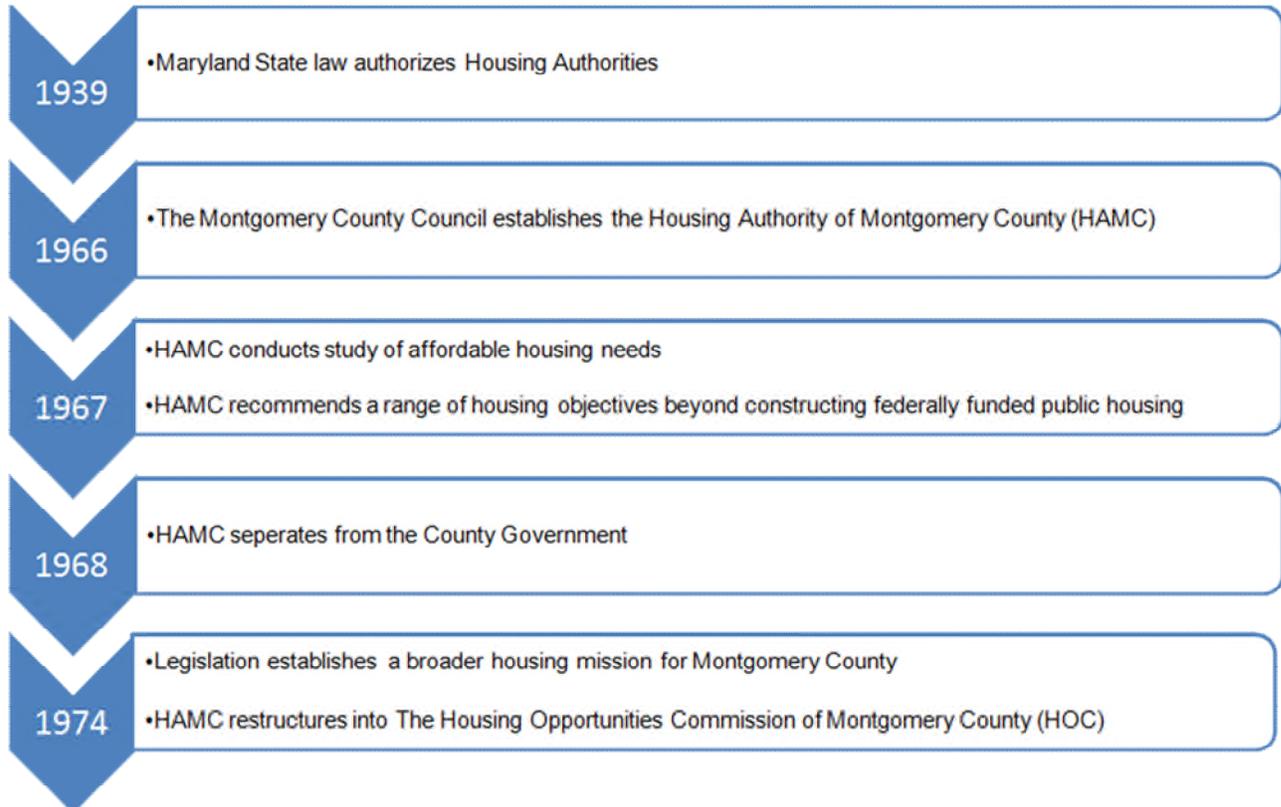
	2017	2018
Beginning Cash Balance July 1,	\$19,793,055	\$7,265,011
Source of Funds		
Tanglewood/Sligo - Loan Payoff	329,800	
Budgeted Development Fees (60% of Total)	2,207,732	2,747,747
Budgeted Commitment Fees (60% of Total)	1,064,769	1,294,643
Chevy Chase Lake Dev Corp Loan Repayment	2,183,191	
Chevy Chase Lake Dev Corp interest on \$600k	21,661	
Elizabeth Square Pre-development Reimbursement	1,399,091	
Alexander House Predevelopment Reimbursement	577,962	
Equity from Sale of Affordable Units - Alexander House	3,000,637	
Interest Income	309	
SUBTOTAL	\$10,785,152	\$4,042,390
Use of Funds		
Personnel Expenses (Real Estate Division) 4th Qtr FY16	(343,458)	
Personnel Expenses (Real Estate Division)	(1,151,337)	(1,162,948)
Chevy Chase Lakes Predevelopment	(643,245)	
Elizabeth Square Predevelopment	(1,515,111)	
Alexander House Application Fee to CitiBank	(25,000)	
Alexander House LIHTC Fee	(63,526)	
Ambassador Payoff to DHCD	(197,612)	
Grant to Victory Housing	(1,825,000)	
	(\$5,764,289)	(\$1,162,948)
Current Obligations	(\$8,371,126)	
Restricted for Future Uses	(9,177,781)	
SUBTOTAL	(\$17,548,907)	
Projected Cash Balance June 30,	\$7,265,011	\$10,144,453

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Program History

Adopted Budget
June 7, 2017

Legislative History



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

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

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

- Acquire, own, lease and operate housing,
- Construct or renovate housing,
- Borrow money, accept grants, and obtain other financial assistance from any public or private source for its housing activities, arrange for social services, including resident services and day care.

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

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

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

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

\$50 million.

Other County Laws Affecting HOC

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

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

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

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

currently the Wheaton and Silver Spring Center Business Districts, is also exempt from both taxes. The Council also tightened school and transportation adequacy tests so that more development projects will have increased requirements to offset the students and automobile trips that they generate.

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

HOC 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.

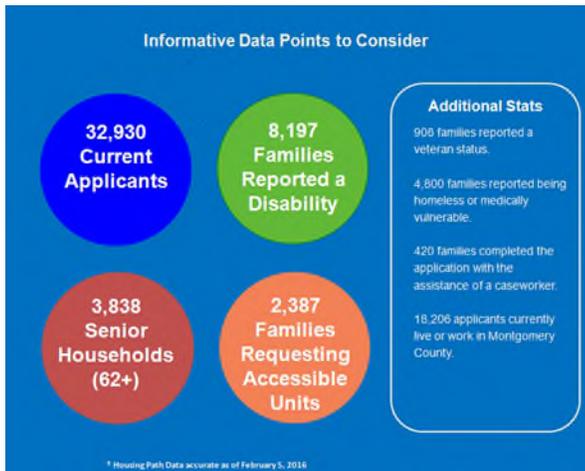
Beyond its public housing recapitalization efforts, HOC is supporting its mission by not only preserving, but increasing the supply of affordable housing in the County. As the long-term holder/owner of numerous housing developments in Montgomery County, HOC is availing itself of opportunities presented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

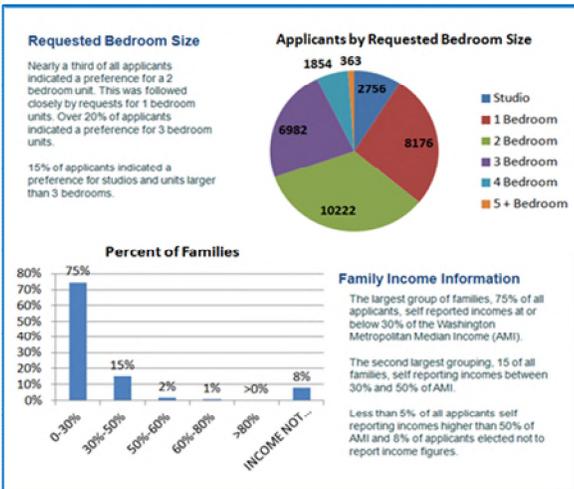
Montgomery County Statistics

The affordable housing need in the County is well documented. In fact, HOC's Housing Path portal, its repository for applications for housing assistance, currently has collected over 30,000 applicants since it opened on August 24, 2015. The applicants' summaries below as of February 5, 2016, illustrate the composition of the HOC wait list and indicate the tremendous need.



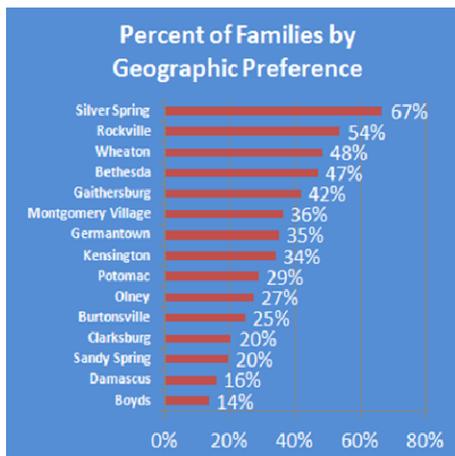
Continued strong demand for affordable housing the County

- The HOC's Housing Path portal, which accepts application for housing assistance currently, has over 30,000 applicants since it opened on August 24, 2015.
- The majority of the applicants report incomes at or below 30% of the median income—the need is tremendous.



Meeting the needs of our families

- 75% of the applicants self reported incomes below 30% of the area median income.
- 29% indicated need for three for four bedroom unit; 34% seek two-bedroom units.
- 16% indicated need for studio units or units larger than three bedrooms.



Where do families want to live?

- A large percentage of applicants indicate a preference for the southeastern quadrant of the county, specifically Silver Spring/Wheaton area.
- The second largest grouping would prefer housing opportunities in the Rockville/Bethesda area.
- There is moderate interest for units in the central areas of the county, such as Gaithersburg, Montgomery Village, and Germantown.

Beyond the need reflected through HOC’s Housing Path portal, the state’s Department of Commerce (Commerce) website compiles and presents county level comparative statistics using the most recently available sources. The data are clear: as one of the state’s largest economic engines and population centers, all signs point toward an increasing need for affordable housing in the county. MD Commerce reports that Montgomery County has the largest population, largest labor force, scores highest on a Quality of Life Index, had a 72.4% labor participation rate in 2014 again among the highest in the state, and has seen its population grow by nearly 200,000 residents over the last 15 years. At the same time, 48.6% of renters in the county experienced housing burden or paid more than 30% of their income towards rent. With only a 2.5% vacancy rate and increasing rents, demand for affordable housing will

continue to increase.

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. The pipeline of projects outlined below will spur economic development activities in Silver Spring, Rockville, and Damascus – which includes the top two communities in which families are seeking more affordable housing options. It 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.

Source: U.S. Census Bureau, Date of Data: 2015; <http://commerce.maryland.gov/about/rankings-and-statistics/data-explorer>.

Source: Maryland Department of Labor, Licensing and Regulation, Date of Data: 2014.

Source: Maryland Department of Commerce, Date of Data: 2010.

Source: Maryland Department of Labor, Licensing and Regulation, Date of Data: 2014.

Source: U.S. Census Bureau, Date of Data: 2016, 2015, 2010.

Source: 2015 Montgomery County Department of Housing and Community Development survey results; d.gov/county/stat/objective/housing.

Source: National Low Income Housing Coalition, Date of Data: 2017

Source: U.S. Department of Health & Human Services, Date of Data 2016, 2015

Other Current Housing-Related Demographics in Montgomery County

Montgomery County is the largest county in Maryland with an estimated population of 1,040,116 (2015 figures) consisting of 45 percent Caucasian (non-Hispanic) and 55 percent cultural minorities. It is located on 497 square miles of land next to Washington, DC, and is one of several Maryland and Virginia counties surrounding the District which make up the Washington DC metropolitan area for statistical reporting. It is home to almost 20 percent of the Washington, DC area’s households, second only to Fairfax County, Virginia. According to the 2010 Census, the Washington metropolitan area is the seventh largest area and has the highest median income of areas compared.

Other demographic items of note are:

- The 2016 median income for Montgomery County was \$110,300 for a household of four. By comparison, the Greater Washington Area Median Income for 2015 is \$109,200 for a

household of four.

- 7.5% of the total population lives below the Federal Poverty Income guidelines of \$24,300 for a household of four; up from 6.5% in 2013.
- The County’s estimated labor force was 544,052 in 2015.
- The County has an unemployment rate of 3.4% as of July 2017.
- 61% of the workforce reside and work in the County, while 39% work outside the County; 76% of employed residents commute by car.
- 91.2% of the population are High School graduates, while 57.9% have an advanced degrees as of 2016.
- The median age in the County is 38.5.
- 23.4% of the population is under 18 years old, while 14.5% of the population is 65 or older.
- 51.8% of the population is female.

- 32.4% of County residents are foreign born.
- About 39.5% of Maryland's foreign born population resides in Montgomery County.
- Montgomery County's proportion of households in Maryland is expected to grow from 16.5% in 2010 to 17.1% in 2040.
- Between 2010 and 2040, Montgomery County will absorb 17.8% of the State's household growth.
- 82% of the housing allowed by Montgomery County plans is already built.
- The average household size was 2.75 in 2015.
- 33.2% of the County's households live in multifamily properties, which remain the largest share of home construction.
- 48.9% of renters pay more than 30% of their income on housing costs.
- 28.9% of homeowners pay more than 30% of their income on housing costs.
- The median sales price for all home types in Montgomery County in 2015 was \$447,300.
- Time on the market before a house is sold averages 67 days.
- Homeownership rate for 2015 was 64.3%.
- 33% households are renter occupied.
- Apartment rents are continuing their upward trend from an average of \$1,657 in 2015 to an average of \$1,746 in 2017.
- Average apartment rents in 2017:
 - Efficiency \$1,440
 - 1-Bedroom \$1,513
 - 2-Bedroom \$1,746
 - 3-Bedroom \$2,300
 - 4-Bedroom \$2,855
- The hourly wage needed to afford a 2-bedroom apartment at Fair Market Value is \$33.58 (\$69,840 annual) for 2017.
- At minimum wage, 3.8 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 \$20.06 (\$41,600 annual).
- At the average hourly wage, 1.6 full-time jobs would be required to afford a 2-bedroom apartment at Fair Market Rent in Montgomery County.
- A January 2013 one-day census in Montgomery County counted 1,007 people who are homeless. Approximately 23% (roughly 229) are children .
- 27% of homeless without children and 48% of homeless people with children in Montgomery County have jobs but still cannot afford housing.

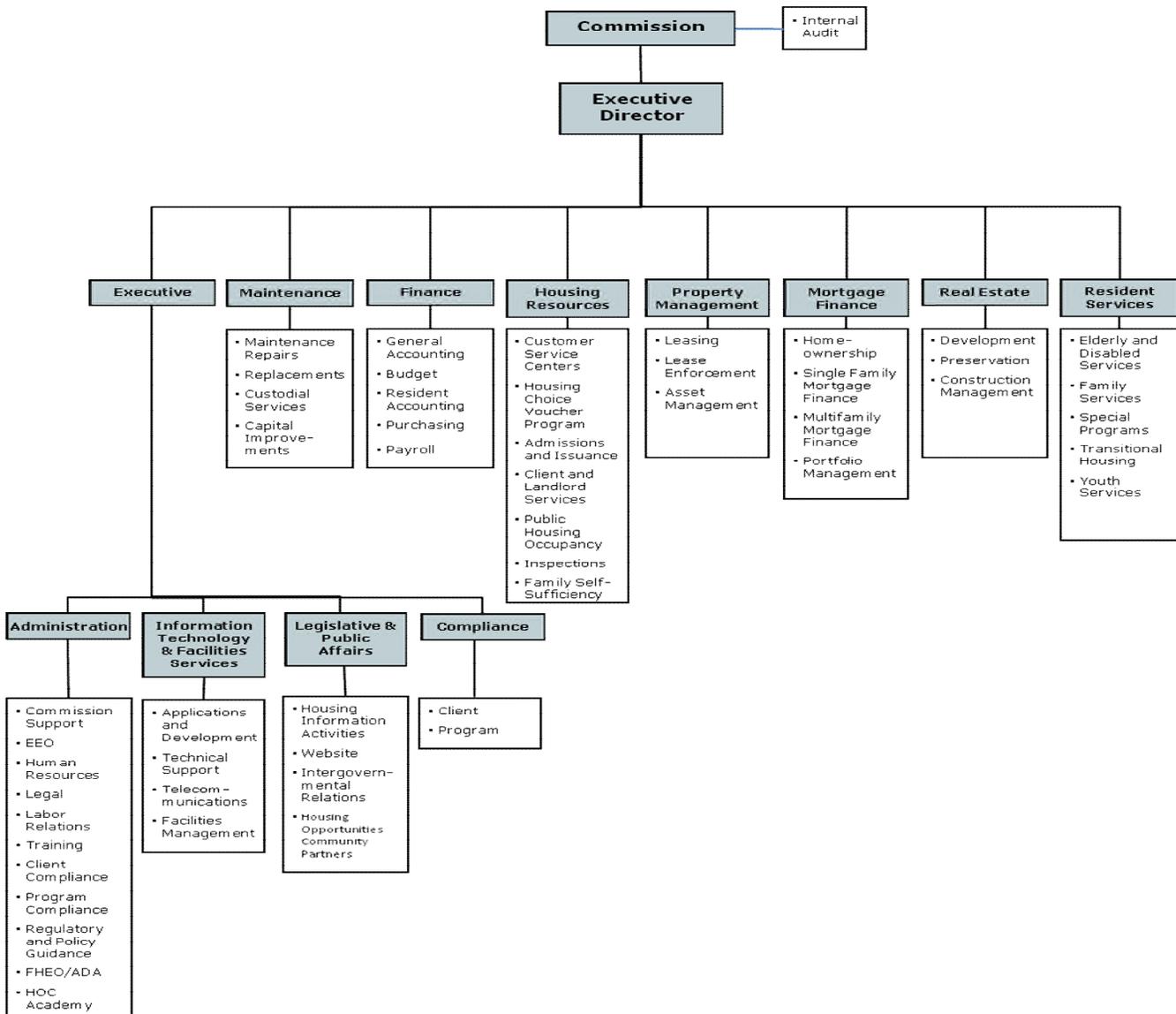
Description of Current Programs

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 Public Housing Homeownership Program is a rental housing program wherein families pay 30 percent of their adjusted gross income each month to HOC. A portion of this monthly payment is placed in two reserve accounts. Once the family's income is high enough to secure a mortgage, these reserve accounts can be used for the down-payment and/or closing costs. (Title to the home along with all rights and responsibilities of homeownership is given to the resident.)
- The Housing Choice Voucher Program (formerly Section 8) sponsored by the U.S. Department of Housing and Urban Development (HUD) assists eligible persons to secure rental housing in the private marketplace. This program allows eligible families to pay 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, State and County agencies.

Housing Opportunities Commission Functional Organization Chart



Organizational Structure and Staff

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

Commissioners appoint an Executive Director to operate the Agency. HOC is organized into five operational units and the Executive and Finance Division. (See the Division Summaries from pages 2-3 through 2-45.)

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.

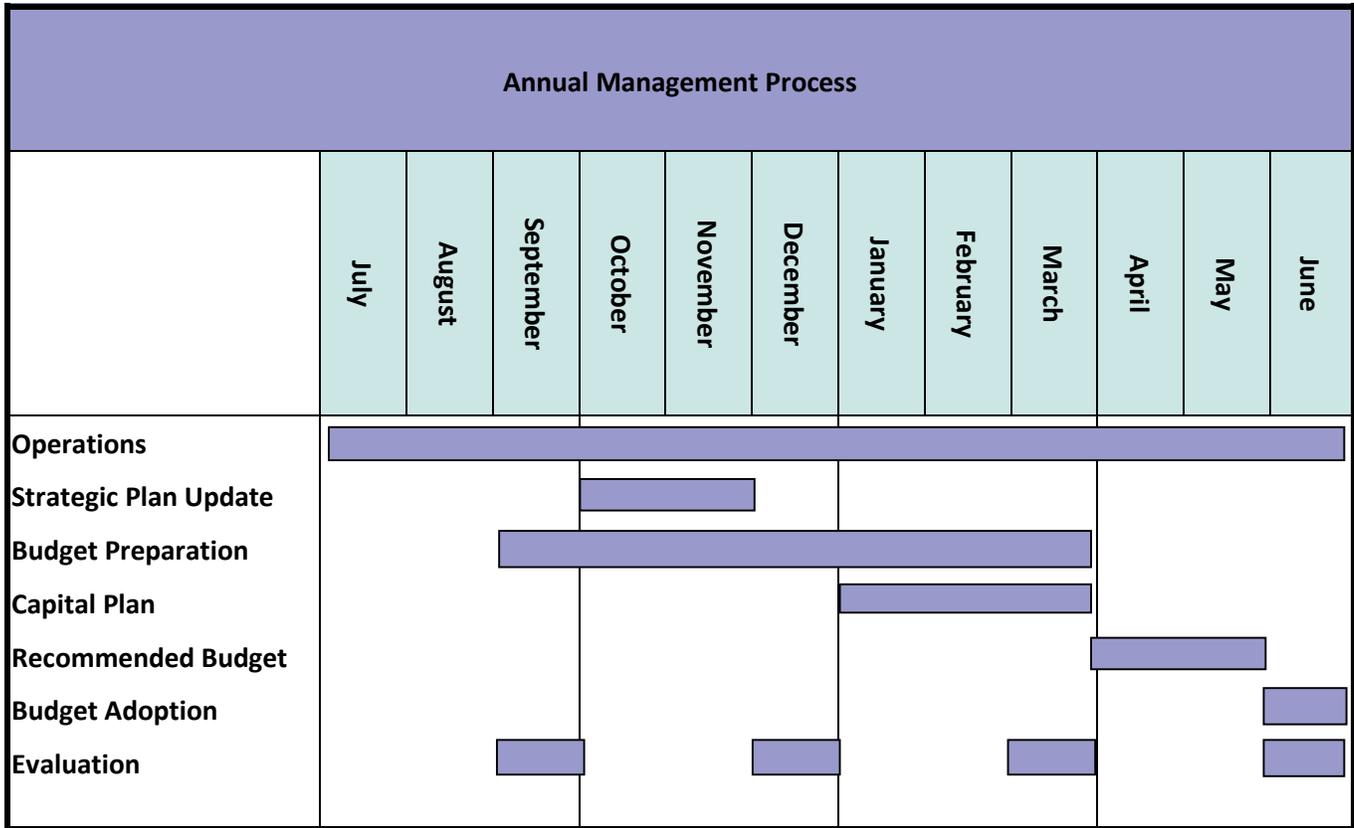
Operations

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 Summary

Adopted Budget
June 7, 2017

Summary

Housing Type	Actual As of 6/30/2015	Actual As of 6/30/2016	Actual As of 6/30/2017	Budget As of 6/30/2018
Public Housing Rental				
HOC Managed	555	256	256	256
Public Housing HomeOwnership				
HOC Managed	7	7	7	7
Opportunity Housing & Development Corps.				
HOC Managed	1,940	1,950	1,950	1,950
Contract Managed	2,652	2,584	2,456	2,294
Units Owned by HOC	5,154	4,797	4,507	4,507
Managed Properties				
HOC Managed	508	807	807	807
Contract Managed	1,300	1,300	1,422	1,422
Subtotal	1,808	2,107	2,229	2,229
Units Administered				
Rental Assistance Programs	6,637	7,143	7,349	7,549
Transitional Housing Programs	221	227	228	232
Special Programs	537	511	614	619
Subtotal	7,395	7,881	8,191	8,400
Units Managed or Administered	9,203	9,988	10,420	10,629
TOTAL - ALL UNITS	14,357	14,785	14,927	15,136
Total Units Managed by HOC	3,010	3,020	3,020	3,020
Total Units Contract Managed	3,952	3,884	3,716	3,716
Total Units Administered by HOC	7,395	7,881	8,191	8,400

Part A: Units Owned by HOC

Property No.	Property Name	Actual	Actual	Actual	Budget
		As of 6/30/2015	As of 6/30/2016	As of 6/30/2017	As of 6/30/2018
PUBLIC HOUSING RENTAL					
Elderly Communities					
511-402	Elizabeth House	160	160	160	160
511-413	Holly Hall	96	96	96	96
511-415	Arcola Towers	141	0	0	0
511-417	Waverly House	158	0	0	0
Subtotal - Elderly		555	256	256	256
Subtotal-Public Housing Rental		555	256	256	256

PUBLIC HOUSING HOMEOWNERSHIP					
Family Communities					
524-411	Tobytown	7	7	7	7
Subtotal - Family		7	7	7	7
Subtotal-Homeownership		7	7	7	7

Total Public Housing Units (all HOC Managed)		562	263	263	263
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OPPORTUNITY HOUSING & DEVELOPMENT CORPORATIONS					
Family Communities - HOC Managed					
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 (Dev. Corp.)	71	71	71	71
911-422	Ken Gar (Dev. Corp.)	19	19	19	19
911-426	Parkway Woods (Dev. Corp.)	24	24	24	24
911-430	Towne Centre Place (Dev. Corp.)	49	49	49	49
911-432	Sandy Spring (Dev. Corp.)	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	484	484

Part A: Units Owned by HOC continued

Property No.	Property Name	Actual As of 6/30/2015	Actual As of 6/30/2016	Actual As of 6/30/2017	Budget As of 6/30/2018
OPPORTUNITY HOUSING & DEVELOPMENT CORPORATIONS (cont.)					
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.)	390	399	399	399
922-200	VPC Two (Dev. Corp.)	279	280	280	280
Subtotal - Scattered HOC Managed		1,456	1,466	1,466	1,466
Subtotal-HOC Managed		1,940	1,950	1,950	1,950
Family Communities - Contract Managed					
414-460	Fairfax Court	18	18	18	18
417-477	Pooks Hill High-Rise	189	189	189	189
418-476	Pooks Hill Mid-Rise	50	50	50	50
427-490	Greenhills	78	78	78	78
433-487	Strathmore Court @ White Flint	151	151	151	151
435-489	Westwood Towers	212	212	212	212
436-100	Brooke Park Apts	18	18	18	18
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	162	0	0
912-479	Alexander House (Dev. Corp.)	311	311	183	183
914-488	The Metropolitan (Dev. Corp.)	216	216	216	216
915-472	Timberlawn (Dev. Corp.)	107	107	107	107
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
920-300	Chevy Chase Lake (Dev. Corp.)	68	0	0	0
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		2,532	2,464	2,174	2,174
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		2,652	2,584	2,294	2,294
Total Opportunity Housing and Development Corporations		4,592	4,534	4,244	4,244

Part B: Units Managed and Administered by HOC

Property No.	Property Name	Actual As of 6/30/2015	Actual As of 6/30/2016	Actual As of 6/30/2017	Budget As of 6/30/2018
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	0	141	141	141
811-417	Waverly House	0	158	158	158
Subtotal - Family HOC Managed		0	299	299	299
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		508	807	807	807
Family Communities - Contract Managed					
818-100	MetroPointe LP	53	53	53	53
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	53	53
834-742	Shady Grove Apartments LP	144	144	144	144
835-743	The Willows of Gaithersburg Associates LP	195	195	195	195
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	0	122	122
Subtotal - Family Contract Managed		1,300	1,300	1,422	1,422
Subtotal Contract Managed Properties		1,300	1,300	1,422	1,422
Total Managed Properties		1,808	2,107	2,229	2,229

Part B: Units Managed and Administered by HOC continued

Property Name	Actual	Actual	Actual	Budget
	As of 6/30/2015	As of 6/30/2016	As of 6/30/2017	As of 6/30/2018
UNITS ADMINISTERED				
Rental Assistance Programs				
Vouchers	6,109	6,537	6,718	6,918
Portables	499	577	603	603
Mod / Rehab	29	29	28	28
Subtotal-Rental Assistance	6,637	7,143	7,349	7,549
Transitional Housing Programs				
McKinney III	10	10	10	10
Turnkey	10	11	11	0
McKinney X	167	172	172	187
McKinney XII	34	34	35	35
Subtotal-Transitional Housing	221	227	228	232
Specialized Programs				
State Rental Assistance Program (RAP)	36	36	40	25
Housing Counselor Programs	57	47	70	70
Rent Supplemental Programs	304	295	300	300
Housing Initiative Program (HIP)	83	84	84	84
HIP Housing Locator	57	49	120	140
Subtotal-Specialized Programs	537	511	614	619
Total Administered Properties	7,395	7,881	8,191	8,400

Part C: HOC Financing

PRIVATELY OWNED UNITS	Actual	Actual	Actual	Budget
FINANCED BY THE HOC	As of	As of	As of	As of
PROPERTY NAME	6/30/2015	6/30/2016	6/30/2017	6/30/2018
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 Byron House	32	32	32	32
5 Charter House	212	212	212	212
6 Churchill Senior Living Phase II	0	0	133	133
7 Clopper Mill Manor	102	102	102	102
8 Covenant Village	89	89	89	89
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 The Crossing @ Old Towne	0	0	199	199
18 University Manor	136	136	0	0
19 Victory Court	86	86	86	86
20 Victory Forest	181	181	181	181
PRIVATE SUBTOTAL	2,631	2,631	2,827	2,827

Part D: HOC Financing

NUMBER OF SINGLE FAMILY LOANS	Actual As of 6/30/2015	Actual As of 6/30/2016	Actual As of 6/30/2017	Budget As of 6/30/2018
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HALF LOANS

Number of New Loans	0	0	0	0
First Trusts	1	1	0	0
Closing Cost	1	0	0	0

	Actual As of 6/30/2015	Actual As of 6/30/2016	Actual As of 6/30/2017	Budget As of 6/30/2018
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CLOSING COST LOANS

Number of New Loans	126	175	155	150
Number of Loans Outstanding	578	753	866	1,016

	Actual As of 6/30/2015	Actual As of 6/30/2016	Actual As of 6/30/2017	Budget As of 6/30/2018
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MORTGAGE PURCHASE PROGRAM

Number of New Loans	126	146	137	140
Number of Loans Outstanding - Whole Loans & MBS	1,480	1,323	1,290	1,400

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Glossary

Adopted Budget
June 7, 2017

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 2016 area median income is \$108,600 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.

HO&C

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

HOC/HOP

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

Homeownership Assistance Loan Fund (HALF)

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

HOME

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

Housing Assistance Payments (HAP)

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

Housing Choice Voucher (HCV) Program

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

Housing 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.

Jesup Blair House

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

Letter of Credit

A form of credit enhancement in which funds are reserved in a prescribed amount which can be drawn down as

necessary to provide for cash flow deficiencies.

Leverage

Using existing resources in exchange for a greater benefit.

Limited Partnership

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

Shelter Plus Care Program

A Federal rent subsidy program funded through the McKinney-Vento Homeless Assistance Act that includes Housing Assistance Payments and extensive case management assistance to persons who are chronically, mentally ill.

Stabilization

The condition that exists post renovation, acquisition or new construction when rent projections are achieved, operational expenses are in line with projections and the property achieves the projected debt coverage ratio (most commonly referred to as the first stabilized year).

State Partnership Rental Housing Program

Shorthand for the Partnership Rental Housing Program (PRHP), a State-run program that provides grants to local jurisdictions to acquire or build low-income housing. Local jurisdiction provides the operating subsidies if needed.

Strategic Plan

HOC's multi-year planning document, updated annually. The plan forecasts projected revenue and expenses over a three- to six-year time frame.

Supportive Housing Program

A Federal program funded through the McKinney-Vento Homeless Assistance Act that provides monies for the development and operation of transitional and permanent housing.

Tax credit

A direct dollar-for-dollar reduction in tax allowed for investing in affordable housing.

Tax exempt bonds

Issued securities for which the interest paid to the holders are not subject to Federal income taxes.

Taxable bonds

Issued securities for which the interest paid to the holders are subject to Federal income taxes.

Tax Credit Partnership

A limited partnership set up to acquire low-income housing in accordance with the Federal low-income tax credit program.

Ten Year Rule

A 1989 IRS rule which requires principal payments received 10 years or more after the date of issuance of the bonds originally providing funds for the mortgages to be applied to the redemption of the bonds issued to finance the mortgages. Each year more and more principal payments become subject to the 10 year Rule, decreasing the funds available for new mortgage loans by means of refunding.

Thirty-Two Year (32) Rule

An IRS rule added to the Federal Tax Code in 1986. It applies to all bond issues that are not pre-Ullman, i.e. issued prior to 1981. Under this rule, the final maturity of refunding bonds can be no longer than 32 years after the original issuance date of the original bond issue. This creates a mismatch between the maturity of a 30 year mortgage loan and the permitted maturity of new refunded bonds. For example, the final maturity of a new 30 year mortgage would be 20xx while the final maturity of bonds issued to refund bonds that trace back to 1985 would be 2017. The structuring techniques used to lengthen the maturity of bonds are: (1) issuing new bonds using an allocation of volume cap; (2) refunding bonds tracing back to pre-Ullman bonds (a diminishing supply); and (3) issuing taxable bonds.

Turnkey

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

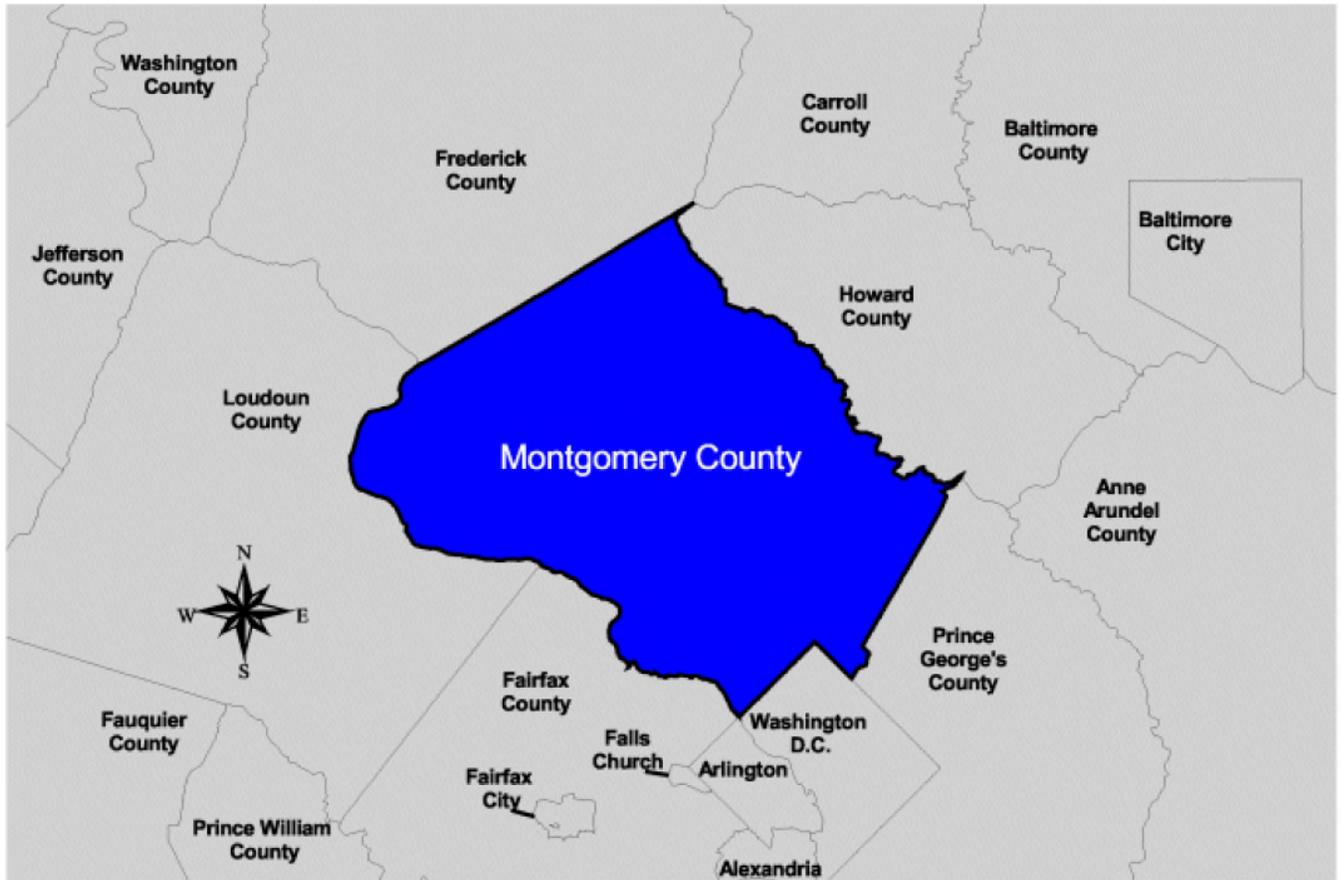
The return on an investment, stated as a percentage of price.

Frequently Used Acronyms

A & O	Policy Admissions and Occupancy Policy	FY	Fiscal Year
ACH	Automated Clearing House	GAAP	Generally Accepted Accounting Principles
ACOP	Admissions and Continued Occupancy Policy	GASB	Governmental Accounting Standards Board
ADA	The Americans with Disabilities Act	GIC	Guaranteed Investment Contract
AGP	Annual Growth Policy	GIS	Geographical Information System
ARRA	American Recovery and Reinvestment Act	HALF	Homeownership Assistance Loan Fund
AWOR	Acquisition Without Rehabilitation	HAP	Housing Assistance Payments
CDBG	Community Development Block Grant	HCV	Housing Choice Voucher Program
CFP	Capital Fund Program	HFA	Housing Finance Agency
CIP	Capital Improvements Program	HIF	Housing Initiatives Fund
COI	Cost of Issuance	HIP	Housing Initiative Program
COLA	Cost of Living Adjustment	HK4E	House Keys for Employees
CY	Calendar Year	HO&C	Housing Opportunities and Concepts
DBED	Department of Business and Economic Development	HOC	Housing Opportunities Commission
DHCA	Department of Housing and Community Affairs	HOC/HOP	HOC Home Ownership Program
DHCD	Department of Housing and Community Development	HOPWA	Housing Opportunities for Persons with HIV/AIDS
DHHS	Department of Health and Human Services of Montgomery County	HQS	Housing Quality Standards
EEO	Equal Employment Opportunity	HRS	Housing Resource Service
EHO	Equal Housing Opportunity	HUD	Department of Housing and Urban Development
EIV/UIV	Enterprise Income Verification (EIV)/Upfront Income Verification (UIV)	IT	Information Technology
FHA	Federal Housing Administration	LIHTC	Low Income Housing Tax Credit
FMR	Fair Market Rent	LIPH	Low income Public Housing
FSS	Family Self Sufficiency	LMRC	Labor Management Relations Committee
FTE	Full Time Equivalent - See WY	MAP	Multifamily Accelerated Processing
FUP	Family Unification Program	MBS	Mortgage Backed Securities
		MCGEO	Municipal and County Government Employees Organization

MFD	Minority/Female/Disabled	RED	Real Estate Development
MHDB	Multifamily Housing Development Bond	RFP	Request for Proposal
MPDU	Moderately Priced Dwelling Unit	RfR	Replacement for Reserves
MPP	Mortgage Purchase Program	RHPP	Rental Housing Production Program
MRB	Mortgage Revenue Bond	RHW	Rental Housing Works
NAHRO	National Association of Housing and Redevelopment Officials	RIF	Reduction in Force
NOI	Net Operating Income	ROSS	Resident Opportunities Self Sufficiency
NSP	Neighborhood Stabilization Program	RUIT	Rent, Utilities, Insurance, and Taxes
OCAF	Operating Cost Adjustment Factor	SEMAP	Section Eight Management Assessment Program
OHRF	Opportunity Housing Reserve Fund	SFMPP	Single Family Mortgage Purchase Program
PAT	Property Assessment Tool	SMA	Sectional Map Amendment
PBV	Project Based Voucher	SRO	Single Room Occupancy
PHAS	Public Housing Assessment System	TCLP	Temporary Credit and Liquidity Program
PHMAP	Public Housing Management Assessment Program	TEMHA /RAP	Transitional, Emergency, Medical and Housing Assistance/Rental Allowance Program
PIC	HUD Public and Indian Housing Information Center	TIP	Tenant Integrity Program
PILOT	Payment in Lieu of Taxes	UPCS	Uniform Physical Condition Standards
PLQ	Personal Living Quarters	VASH	Veterans Affairs Supportive Housing
PRHP	Partnership Rental Housing Program	VAWA	Violence Against Women Act
RAB	Resident Advisory Board	VMS	Voucher Management System
RAD	Rental Assistance Demonstration	WY	Work Year
RAP	Rental Allowance Program		
REAC	Real Estate Assessment Center		

Montgomery County, MD and Vicinity



Legend
■ Montgomery County Boundary
■ MD and VA Counties

10 0 10 Miles

Map Produced By:
Geographic Information Systems
and Telecommunications
Montgomery County, Maryland
Date: February 18, 2000



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APPENDIX

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