



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

Adopted Budget Fiscal Year 2010





GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

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

For the Fiscal Year Beginning

July 1, 2008

President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the Housing Opportunities Commission of Montgomery County for its annual budget for the fiscal year beginning July 1, 2008.

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 3, 2009

From Annie B. Alston, Executive Director

Overview

The FY 2010 Budget was developed in the midst of an economic crisis that has gripped both national and global economies. Other changes contribute to the framework for this budget. At the national level, the Country elected a new President with a significantly different perspective from the outgoing administration. While local and state government elections are two years away, at HOC the retirement of D. Scott Minton in July created the opportunity for new leadership. As of January 1, the Commission appointed me as the new Executive Director.

Budgets reflect priorities. It is imperative that a budget be fiscally prudent, sustainable and balanced. The FY 2010 Adopted Budget achieves that standard and reflects difficult choices among worthy and competing demands. The Adopted Budget includes \$206 million for operations and \$69 million for capital improvements. Given the historic economic distress facing the country at all levels, the primary task of the FY 2010 budget has been to ensure HOC's survival. Nonetheless, the Adopted Budget aspires to do more. It sets HOC on a course of continued success, despite the turbulence of the times.

The economic storm has generated pressure on the FY 2009 Budget with declines in income from investment, bond issuance and development activity. Significant decreases in Montgomery County and State of Maryland revenues

resulted in reductions in both budgets and limited resources to HOC from those sources. HOC has implemented measures to reduce FY 2009 expenditures to match income.

The FY 2010 Budget assumes continuing economic distress and constricted revenues from investment, bond and development activity as well as from our local and state public sector partners. The bright light on the horizon is the possibility for increased aid from the federal government. On the expenditure side, HOC must meet increases in health insurance and retirement benefits. The Adopted Budget eliminates no jobs as a reflection of HOC's commitment to its employees. However, some program cuts may be necessary as HOC continues to find ways to do more with less.

Looking Back

Notwithstanding the challenges of FY 2009, HOC saw successes which speak to the resilience of the Agency, the continued support of our partners, and the commitment and dedication of our staff.

In FY 2009, HOC opened two Customer Service Centers – one in Gaithersburg and one in Silver Spring. The opening of these centers has enabled HOC to realize a major thrust of its Strategic Plan: improving our residents' access to the services we provide. Situated along main transportation corridors, the new offices are more easily accessible by transit. Also, with



Special points of interest:

"Despite stormy seas, HOC will navigate a course to fulfill its mission—providing affordable homes and supportive services."

one located in the up-county area and one in southern Montgomery County, the centers are closer to where most of our residents and clients live. These centers provide full service in convenient locations.

FY 2009 also saw the implementation of another Strategic Plan objective: the creation of a consulting business whose purpose is to generate revenue to help HOC fund its public purpose activities. Two years ago, Housing Opportunities and Concepts (HO&C) began operations. As of July 1, 2009, ahead of schedule, HO&C will separate into an independent not-for-profit organization. Its goal remains to provide a revenue stream to support HOC's mission.

HOC also achieved a major success with the opening of MetroPointe Apartments in Wheaton. Built atop the Wheaton Metro station, MetroPointe is an example of smart growth at its best and represents one of the most complex developments in HOC's history. This mixed-income property offers 53 affordable housing units steps from subway access. Eighteen of the affordable units serve the very poor and six of them serve clients with severe physical disabilities. The convenience of access to the subway system is a tremendous benefit to all who choose to call MetroPointe home. As an example of private-public partnership, MetroPointe paves the way for future collaborations that will enable HOC and the County to meet their affordable housing goals.

In another FY 2009 success, HOC assisted the County Executive to fulfill his promise to develop workforce housing for the citizens of Montgomery County. HOC partnered with Montgomery County and the City of Rockville to convert 49 rental apartments to condominiums at King Farm. The plan anticipates offering the homes on a preferential basis to local government employees. Located near public transportation, shopping and employment, HOC's King Farm development is the first workforce housing project in the County's history.

HOC also celebrated the completion of the comprehensive rehabilitation of Seneca Ridge, a public housing property that has needed renovation for many years. The support of the Montgomery County Department of

Housing and Community Affairs was instrumental in the completion of this much needed project.

In December 2008, HOC opened the waiting lists for the Housing Choice Voucher (HCV) and Public Housing programs. Between the two lists, HOC received more than 33,000 new applications. This figure is significantly higher than the number received two years ago and underscores the challenge HOC faces in meeting the increasing needs of our low and moderate-income residents.

Looking ahead

FY 2010 will certainly challenge HOC. Economic forecasters seem to agree that it is unclear when the national and global economies will begin to recover. In typical HOC fashion, however, HOC also foresees opportunities in FY 2010.

Congress passed HR 3221, the Housing and Economic Recovery Act (HERA), in July 2008. HERA created the Neighborhood Stabilization Program (NSP), which is an attempt to restore neighborhoods threatened with blight from foreclosed homes. The NSP provides funding for local governments to purchase vacant homes, renovate them, and either sell or rent them to low and moderate income families. In FY 2010, HOC will implement Montgomery County's NSP program in a partnership with the Department of Housing and Community Affairs. HOC will purchase approximately 10 homes, renovate and manage them, and make the homes available for rent to qualifying families.

FY 2010 will also find HOC busy with the rehabilitation of Public Housing units, using \$3.1 million from the American Recovery and Reinvestment Act (ARRA), which Congress passed in February 2009. HOC's five-year capital assessment of its Public Housing identified \$50 million of needed work. ARRA funding, in combination with Montgomery County's annual capital grant and the FY 2010 federal appropriation for Public Housing Capital Fund will enable HOC to make inroads into this backlog of deferred needs while also contributing to the local economy.

HOC is also hopeful that the municipal bond market, which has been paralyzed since early in FY 2009, will revive sufficiently for a renewal of HOC's mortgage finance business. The staff

of the Commission has been engaged in activities in the bond market with the singular goal of protecting the assets of the Agency and was successful in limiting the financial exposure to the Agency. For FY 2010, as soon as the market presents a viable opportunity, HOC plans to resume the processing of multi-family and single family mortgage bond issues that will provide funding for rental and homeownership programs.

We are all aware that HOC's mission only becomes more difficult in a distressed economy. County residents are losing jobs and losing homes. Rental housing demands escalate. Despite stormy seas, HOC will navigate a course to fulfill its mission—providing affordable homes and supportive services.

A handwritten signature in black ink, appearing to be 'Andrew...', written in a cursive style.

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Budget Highlights

Adopted Budget
June 3, 2009

FY 2010 Budget Highlights

Housing Resources

HOC's 2007 Strategic Plan proposed the development of two Customer Service Centers (CSCs) to provide easier access, greater efficiency, and better customer service to our clients and community. The Centers, one in Gaithersburg and the other in Silver Spring, opened in FY 2009 and enabled HOC to realize a major thrust of its Strategic Plan: improving our residents' access to the services we provide. The Centers offer "one stop" services to clients, landlords and the community. The Centers certify, recertify, collect rent, and counsel individuals in all HOC programs including Housing Choice Voucher, Public Housing and Opportunity Housing. Each CSC provides improved efficiency and better customer service through advanced technology, ongoing employee training, and greater access for clients in two decentralized, easy to reach parts of Montgomery County.

The CSCs are a significant organizational outreach effort to clients who require direct assistance in obtaining and remaining in subsidized and affordable housing. Approximately 10,000 Montgomery County Residents are served by the CSCs.

Rent Supplement

In its FY 2009 budget, the Montgomery County Council appropriated a portion of the proceeds from the Recordation Tax for the Housing Opportunities Commission (HOC) to operate a local rental assistance program. This program is available to households residing in multi-family units. The goal of the Rent Supplement Program is to:

- prevent homelessness of very economically vulnerable individuals and families;
- stabilize families in affordable housing;
- increase the number of affordable

housing units in the County; and

- reduce the level of County resources allocated for services to the homeless.

HOC anticipates enrolling 350 participants by the end of FY2009. Thus far, HOC is working in concert with 19 landlords who have identified at-risk households. HOC provides the subsidy on a sliding scale, with the maximum subsidy amount being \$600 per month. HOC expects to continue the program in FY 2010.

National Stabilization Program

Congress passed HR 3221, the Housing and Economic Recovery Act (HERA), in July 2008. HERA created the Neighborhood Stabilization Program (NSP), which is an attempt to restore neighborhoods threatened with blight from foreclosed homes. The NSP provides funding for local governments to purchase vacant homes, renovate them, and either sell or rent them to low and moderate income families. In FY 2010, HOC will implement Montgomery County's NSP program in a partnership with the Department of Housing and Community Affairs. HOC will purchase approximately 10 homes, renovate and manage them, and make the homes available for rent to qualifying families.

American Recovery and Reinvestment Act

Through the American Recovery and Reinvestment Act (ARRA), HOC received \$3.1 million for the rehabilitation of Public Housing units. HOC's five-year capital assessment of its Public Housing units identified \$50 million of needed work. ARRA funding, in combination with Montgomery County's annual capital grant and the FY 2010 federal appropriation for Public Housing Capital Fund, will enable HOC to make inroads into this backlog of deferred needs while also contributing to the local economy.

Housing Choice Voucher Program

As Montgomery County's Public Housing Authority, HOC administers the Housing Choice Voucher Program (HCV). Currently, HOC is authorized to provide 5,688 vouchers. At this time, HUD has not yet announced the funding levels for CY 2009. The FY 2010 Adopted Budget was developed based on maintaining the same funding level of \$63.2 million used for the current fiscal year. Staff will update the projections once the CY 2009 funding levels are released. HOC will be applying for Family Unification Vouchers and will monitor developments that may present opportunities for further expansions of the HCV program.

Public Housing

In its role as Montgomery County's Public Housing Authority, HOC owns and manages 1,554 units of Public Housing. Some of the units are in clustered family communities, some are in mid- and high-rise buildings which house seniors, and some apartments, townhouses and single family homes are scattered throughout the County.

Each year HUD provides an operating subsidy to bridge the gap between what residents pay in rent, which equals 30% of their gross income, and the cost of operating the units. The amount of HUD funding falls short of what is required. The FY 2010 Budget anticipates HOC will receive approximately \$6.1 million in operating subsidy or 88% of the funding required to operate the program.

HUD also provides funding for capital improvements of the units. As noted above, HOC's five-year capital assessment of its Public Housing units identified \$50 million of needed work. The FY 2010 budget anticipates HOC will receive an award of approximately \$2.4 million from the Capital Fund Program to address these needs.

In addition, Montgomery County has provided funding for capital improvements for the past several years. In addition to \$1,125,000 for general rehabilitation work, the County Executive's Proposed Capital Improvement Program this year also includes funding for HOC to install sprinkler systems in four buildings that house seniors. The County Council has given preliminary approval to both projects and will make a final decision in May.

County Budget

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

As described above in the Public Housing section, the County has been generous in providing capital support to HOC. This year, the County Executive's Capital Improvement Program includes \$1,125,000 for capital maintenance in HOC's public housing units as well as funding for retrofitting four buildings that house seniors with sprinkler systems to enhance the safety of the residents. The County Council has given preliminary approval to the request and will make its final decision in May.

Rental Market Activity

The national and regional economies continue to be weakened by a number of market forces that have affected the overall rental apartment market. However, the Metropolitan Washington, DC area continues to report modest job growth, an essential ingredient for apartment demand. Given this, the constriction of new supply, the credit crunch, and the passing of the shadow market effect, vacancy rates in the region are not expected to increase significantly. The FY 2010 property budgets have been developed in conjunction with the County Executive's Rental Guideline of 4.4%.

In addition to its 1,554 Public Housing units, HOC oversees a portfolio of 5,255 rental units for families and individuals. Rental income from our properties is a primary source of funding for HOC's operations. We look to the properties to generate sufficient revenue to be self-supporting. At the same time, HOC's market rate units also contribute to the support of the units which are affordable to lower income households. For FY 2010, HOC is

projecting a slight increase over FY 2009.

Real Estate Development

Despite the current economic climate, the Real Estate Development Division has several projects in the pipeline.

Real Estate intends to revitalize two apartment buildings totaling 28 units on Aspen Court, a cul de sac in Takoma Park. The buildings are in deteriorated condition in an otherwise stable neighborhood of single family homes. With funding from the Montgomery County Department of Housing and Community Affairs, HOC will rehabilitate the buildings in FY 2010.

As a pilot project under Montgomery County's Workforce Housing program, HOC has converted 49 apartments into condominiums at The Village at King Farm and has begun marketing the condominiums with a priority to purchase being given to public employees. Interest in the program has been very strong, and HOC expects all sales to be completed during FY 2010.

Design development is nearly complete for the 12-unit Hampden Lane Apartments which will serve formerly homeless persons in downtown Bethesda. Additionally, Real Estate is finalizing design development for a single family home to house developmentally disabled adults in partnership with Jubilee Association of Maryland, with construction expected to start in late FY 2009.

Staff will continue to seek new development opportunities to increase the number of affordable apartments in Montgomery County.

Mortgage Finance

The Mortgage Finance Division continues to operate in an environment that has experienced much turbulence in recent years. The national and global financial markets have been severely disrupted, due largely to failures in the housing market stemming initially from subprime lending. The turbulence escalated into a crisis in early September, the global financial system is still severely unsettled and the investment banking landscape is forever changed. It is in this environment that the Commission's bond programs operate and the failures in the system have caused the staff to take actions to limit potential exposure to the Agency. The disruption has resulted in higher interest costs

to the Agency on certain of its floating rate debt and the Agency has experienced unusual transaction costs associated with the replacement of financial market support of some of its bonds. Though financial market challenges continue, the bond programs remain stable.

In FY 2010, Mortgage Finance will continue to contribute Commitment Fees and Loan Management Fees to the Agency's Operating Budget. The next fiscal year will present challenges as we navigate the difficult financial landscape. However, we are projected to complete at least two bond issuances that will yield approximately \$25 million and will be used to rehabilitate and preserve affordable housing in Montgomery County.

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Reader's Guide

Adopted Budget
June 3, 2009

Budget Document Organization

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

Page i Executive Director's Budget Message

The Budget Message addresses the challenges the Agency faces as we move from FY 2009 to FY 2010.

Page v Budget Highlights

Page xii Budget Overview

This section includes:

- Overview – Revenue and Expense Summary
- Fund Structure
- Agency Fund Description
- Budget Process
- Overview – Strategic Plan
- Operating Budget
- FY 2010 Revenue and Expense Statement

Page 1-1 Budget Summary Information

This section includes:

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

Page 2-1 Operating Budget

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

- Mission Statement

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

Page 3-1 Capital Budget

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

Page 4-1 Personnel Assumptions

This section includes personnel information relevant to the budget.

Page 5-1 Appendix

Program History

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

Units

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

General Financial Information

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

Glossary

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

Map

Map of Montgomery County, MD, and Vicinity

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Budget Overview

Adopted Budget
June 3, 2009

Overview—Revenue and Expense Summary

Fund Summary Overview	FY 2010 Adopted Budget		
	Revenues	Expenses	Net
General Fund	16,883,610	17,813,770	(930,160)
Multi-Family Bond Funds	24,570,050	24,570,050	0
Single Family Bond Funds	16,265,020	16,265,020	0
Opportunity Housing Fund			
Opportunity Housing Reserve Fund (OHRF)	1,612,580	863,530	749,050
Restricted to OHRF	0	749,050	(749,050)
Opportunity Housing & Development Corporation Properties	49,109,090	47,424,370	1,684,720
Public Fund			
Public Housing Fund	12,181,450	12,181,450	0
Housing Choice Voucher Program	68,584,840	69,339,400	(754,560)
Federal, State and County Grants	16,727,710	16,727,710	0
TOTAL - ALL FUNDS	\$205,934,350	\$205,934,350	\$0

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

Fund Structure

This section summarizes the Agency's FY 2010 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 2010 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 almost 75% of HOC's revenue sources, and can better analyze the relationship between the budget and the Agency's year-end financial statements. The five Funds are:

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

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

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

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

There are two separate Bond Funds:

The **Multi-Family Program Fund**, which includes all proceeds from mortgages made from bond issues for multi-family 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 & Multi-Family)
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Sources

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

Uses

Executive	Opportunity Housing Properties	Public Housing Properties	Multi-Family 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
Housing Management Admin.	Opportunity Housing Reserve Fund (OHRF)	Resident Services	
Tax Credit Development	Development Corporation Properties	Public Affairs	
Master Lease Payments	Development Corporation Capital Improvements		
Facilities & IT Capital Needs	Homeownership Revolving Loan Funds		
Vehicle Replacement	Mortgage Payments		
Insurance Reserve Contributions	Required Reserve Contributions		

Project / Grant funds included in each Agency Fund

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

Basis for Budgeting

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

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

Budget Adoption and Amendment

The Executive Director presents a recommended budget to the Housing Opportunities Commission by the first meeting in April of each year. The recommended budget includes both an operating and capital budget. The recommended budget document presents the operating budgets by division and property as well as by major fund. The Commission has five Agency funds: General, Opportunity Housing, Public, Multi-Family 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, 240-773-9382. The Special Assistant to the Commission can be contacted directly at 240-773-9025. Civic associations are informed of the agenda items related to their concerns prior to the Commission meeting where such concerns will be discussed. Public forums are held at each meeting of the Commission to allow for citizen comments. All regular Commission meetings are held in the evening.

Prior to Commission consideration of the FY 2010 Budget, notice was placed in the main County newspaper of general circulation (*The Gazette*), notifying the public of the date on which the budget would be presented, the opportunity for public comment at that meeting, and the availability of the document at the Commission offices. HOC also relies on citizen participation mechanisms of the governments that fund its programs. For example, the funds that HOC receives from Montgomery County are subject to public scrutiny through the County's rigorous citizen participation process.

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

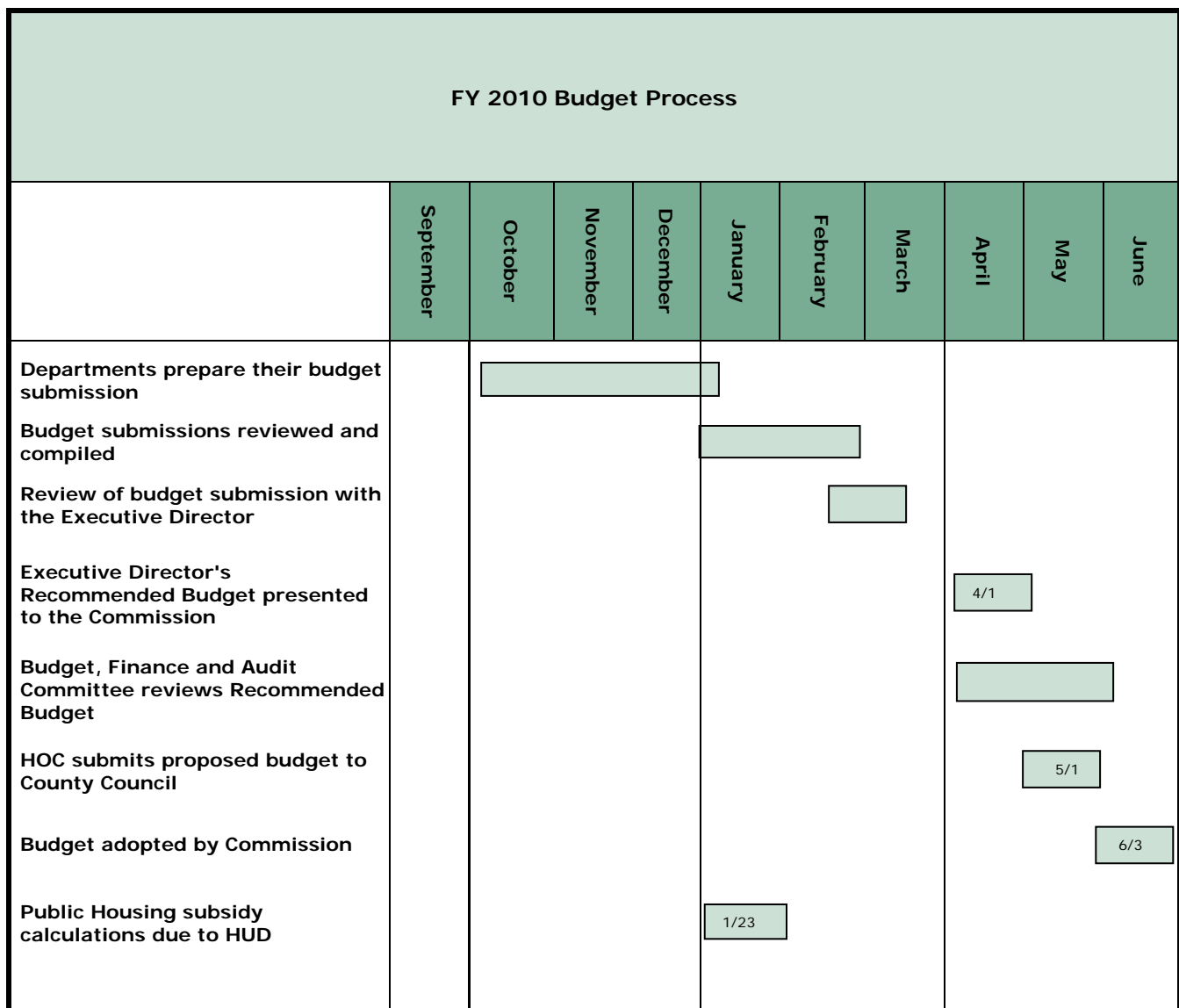
Budget Calendar—FY 2010

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 2010 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 innovative housing solutions. The Board of Commissioners and the Executive Management Team review past practices and develop creative strategies to address the changing housing needs of Montgomery County.

HOC relies on its Strategic Plan for direction and focus. The Commission approved the most current Plan in 2007. It concentrates HOC's efforts in developing and implementing innovative solutions to the problem of meeting the County's ever-expanding need for affordable housing. As the County's housing authority and housing finance agency, HOC has a significant responsibility in this arena. The Strategic Plan provides the Commission's guidance to the staff on fulfilling HOC's role.

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

- Preserve and produce affordable and workforce housing in Montgomery County.
- Strengthen HOC's ability to generate income for operations, affordable housing programs and services.
- Decentralize delivery of services to clients and residents in conjunction with enhancing efficiency throughout HOC's activities.
- Expand services to residents and clients to address the County's changing needs.
- Manage HOC's portfolio to maximize public purpose and maximize revenues.
- Exercise leadership in meeting Montgomery County's housing and related social services needs.

Operating Budget

HOC has an operating budget for FY 2010 of \$205.6 million. Revenues are generated in two ways:

- Grants, other funding sources, and the cash flow from HOC properties generate 78.05% of total revenues.
 - \$54.7 million (26.55%) is from property rents and service income.
 - \$89.5 million (43.48%) is from Federal, State and County grants.
 - \$79.7 million (38.70%) is from Federal grants, which includes \$63.9 million in HUD Housing Choice Voucher Assistance Payments that are passed through to Montgomery County landlords, for which HOC earns administrative fees.
 - \$9.7 million (4.73%) is from grants from Montgomery County for specific activities, including the administration

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

- \$0.1 million (.05%) is from various State grants.
 - \$16.5 million (8.02%) 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 21.95% of total revenues.
 - \$38.4 million (18.65%) is from mortgage interest income which pays the debt service on HOC housing revenue bonds and interest earned on cash investments.
 - \$6.8 million (3.30%) is from miscellaneous bond financing operations.

FY 2010 Revenue and Expense Statement

Operating Budget		Non-Operating Budget	
Operating Income		Non-Operating Income	
Tenant Income	53,361,310	Investment Interest Income	37,862,990
Non-Dwelling Rental Income	1,309,390	FHA Risk Sharing Insurance	537,440
Federal Grant	79,704,970	Transfer Between Funds	6,802,220
State Grant	107,690		
County Grant	9,734,990		
Management Fees	16,185,720		
Miscellaneous Income	327,630		
TOTAL OPERATING INCOME	\$160,731,700	TOTAL NON-OPERATING INCOME	\$45,202,650
Operating Expenses		Non-Operating Expenses	
Personnel Expenses	34,543,600	Interest Payment	41,668,170
Operating Expenses - Fees	16,637,560	Mortgage Insurance	701,240
Operating Expenses - Administrative	3,882,400	Principal Payment	5,847,370
Tenant Services Expenses	4,651,490	Operating and Replacement Reserves	7,069,220
Protective Services Expenses	837,360	Restricted Cash Flow	4,946,720
Utilities Expenses	6,169,440	Development Corporation Fees	1,791,280
Insurance and Tax Expenses	918,420	Miscellaneous Bond Financing Expenses	1,087,440
Maintenance Expenses	6,350,200	FHA Risk Sharing Insurance	537,440
Housing Assistance Payments (HAP)	63,934,690	Transfer Out Between Funds	4,360,310
TOTAL OPERATING EXPENSES	\$137,925,160	TOTAL NON-OPERATING EXPENSES	\$68,009,190
NET OPERATING INCOME	\$22,806,540	NET NON-OPERATING ADJUSTMENTS	(\$22,806,540)

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
- Property Listings
- Bond Program

Strategic Plan Goals

HOC relies on its Strategic Plan for direction and focus. The most current Plan was developed in 2007 and concentrates HOC's efforts on developing and implementing innovative solutions to the problem of meeting the County's ever-expanding need for affordable housing.

Preserve and produce affordable and workforce housing in Montgomery County.

- Acquire and finance units to preserve their long-term affordability and to increase opportunities for households at lower income levels to find homes throughout the County.
- Negotiate extended affordability with owners of multi-family properties.
- Identify land for future development or redevelopment

- Pursue publicly-owned land for new development of affordable housing.
- Pursue opportunities for transit-oriented housing developments.
- Expand homeownership opportunities to a broader income range of Montgomery County families and workers while continuing efforts to de-concentrate poverty.

Strengthen HOC's ability to generate income for operations, affordable housing programs and services.

- Develop new sources of funding to support HOC's mission.
- Expand HO&C to generate income to expand and preserve affordable housing.
- Increase revenues from existing HOC activities.
- Seek grants from new sources for supportive services and educational opportunities for residents and clients.
- Develop strategies to increase donations and generate income through collaborative activities between HOC and Community Partners, Inc.

Decentralize delivery of services to clients and residents in conjunction with enhancing efficiency throughout HOC's activities.

- Identify appropriate facilities to provide customer service.
- Train staff to support providing multiple services at multiple locations throughout Montgomery County.
- Explore technological initiatives to enhance services to customers.

Expand services to residents and clients to address the County's changing needs.

- Expand the use of public-private partnerships for resident services initiatives.
- Expand opportunities for residents to advise HOC about issues that affect their housing and services.
- Increase services to prevent homelessness among our residents and clients.
- Expand the Resident Services activities to include all residents in HOC's income-restricted housing.
- Work with service providers to develop housing programs for the elderly and those client populations that cannot be served without special services.

Manage HOC's portfolio to maximize public purpose and to maximize revenues.

- Maintain affordability within HOC's current stock.
- Develop HOC portfolio model to identify and describe HOC's optimal mix of housing.
- Develop criteria for acquisitions, dispositions and renovations of properties in accordance with the portfolio model.
- Develop long-range property renovation plan that identifies the capital needs of the portfolio.
- Develop a portfolio management system that will measure performance in relation to both financial and public purpose goals.
- Optimize market rents in order to maintain and increase public purpose activities within existing portfolio.

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

- Develop and pursue legislation and policy at all levels of government to secure adequate and reliable funding for affordable housing and supportive services.
- Strengthen HOC's relationships with government at the local, state and federal levels.
- Pursue legislation and policy that enhance the creation and preservation of affordable housing and related activities.
- Strengthen HOC's relationships with the community, industry, non-profit and for-profit housing organizations and develop new partners.
- Encourage Montgomery County to identify the scope of the affordable housing deficiency and steps to address it.
- Raise public awareness of HOC's goals and accomplishments.
- 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.

Operating Budget

As described in the Fund Structure section on page viii, 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 2010 Adopted Operating Budget.

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

The chart on page xx shows the FY 2010 Operating Budget by accounting classification. This chart summarizes all Agency Funds. The FY 2010 Operating Budget is balanced.

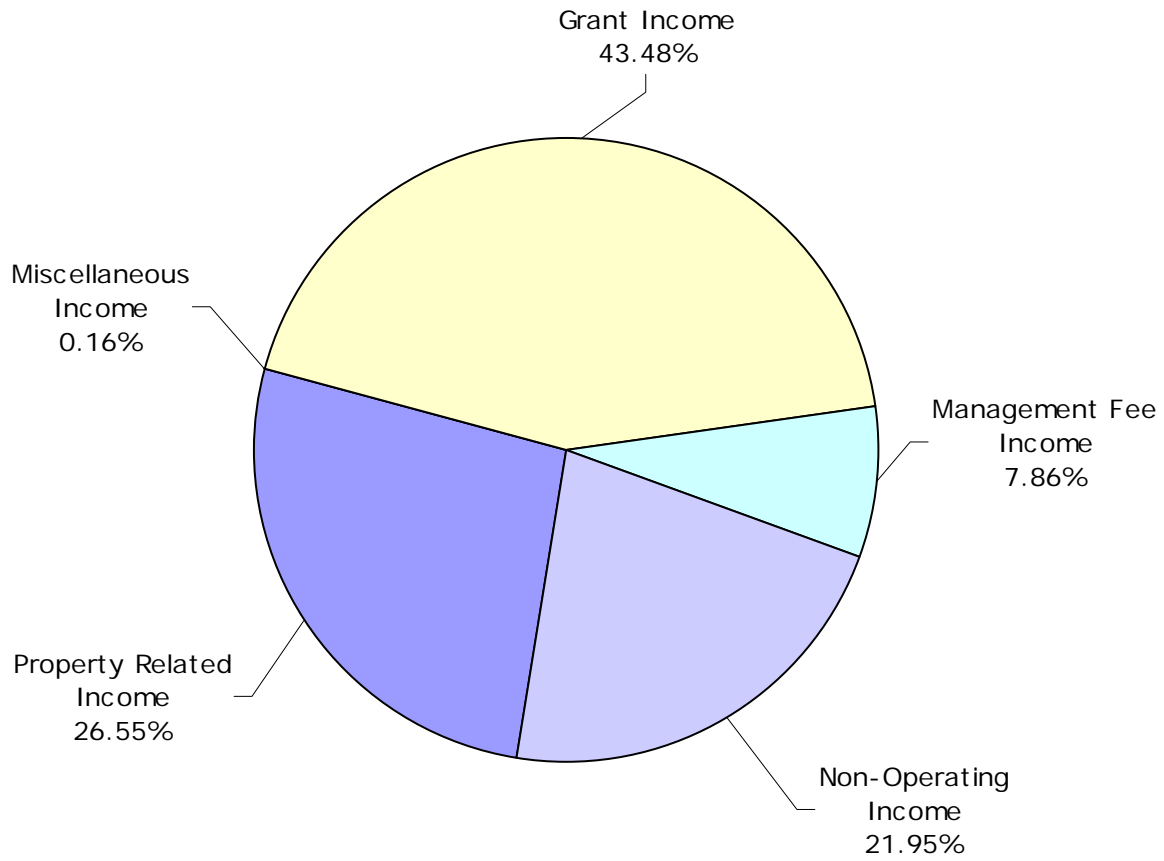
The chart on page 1-9 illustrates the FY 2010 external as well as internal revenue restrictions. Although HOC has a \$205.9 million budget, only 7.97%, or \$16.4 million, may be used by the Commission for discretionary expenses.

The chart on page 1-10 summarizes the General Fund. Net Operating Income went from a \$1.4 million deficit in FY 2009 to a positive \$.2 million in FY 2010 or a change of \$1.6 million.

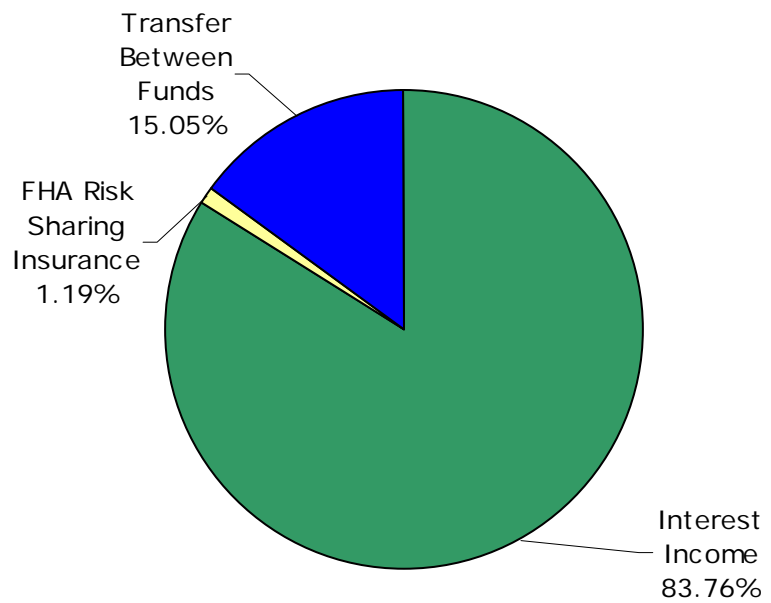
Charts are also included in this section which show the revenue, expense and net cash flow for the properties as well as the annual operating budget for each of the grants.

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

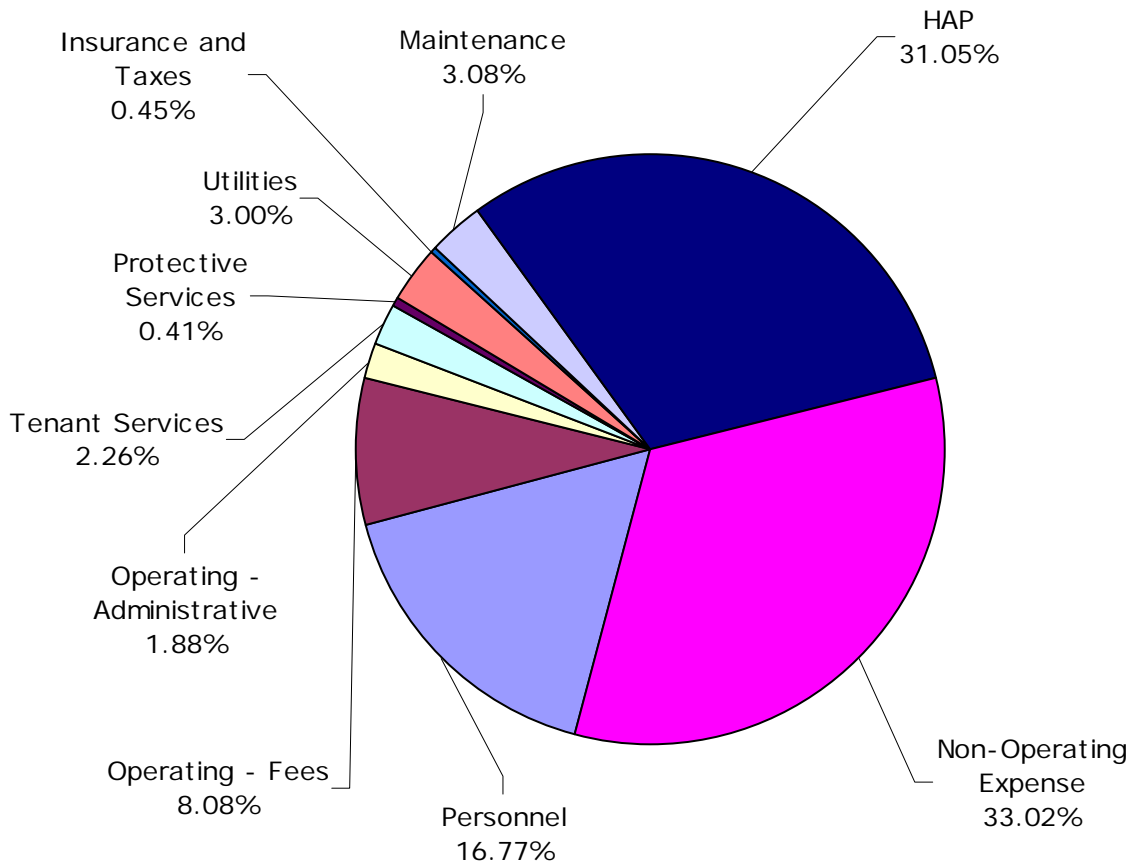
Source of Funds



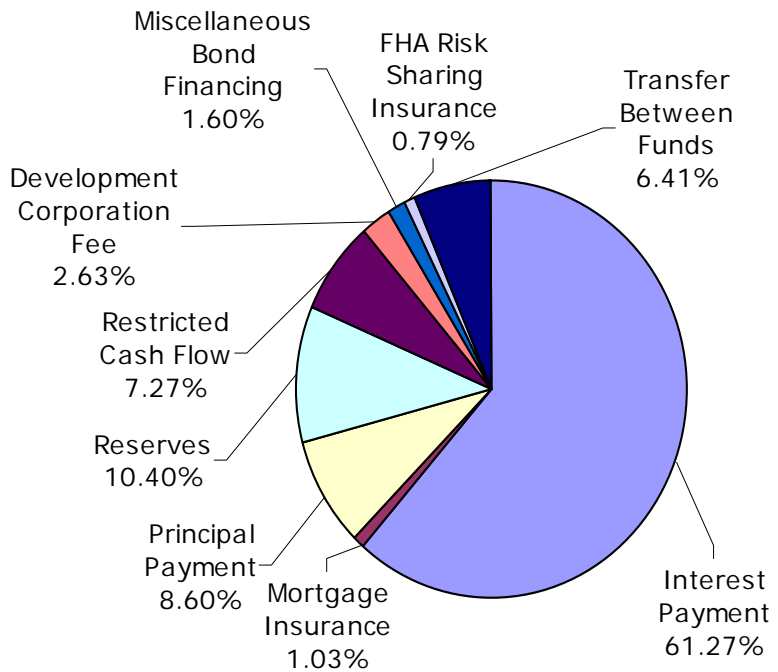
Non-Operating Income



Use of Funds



Non-Operating Expense

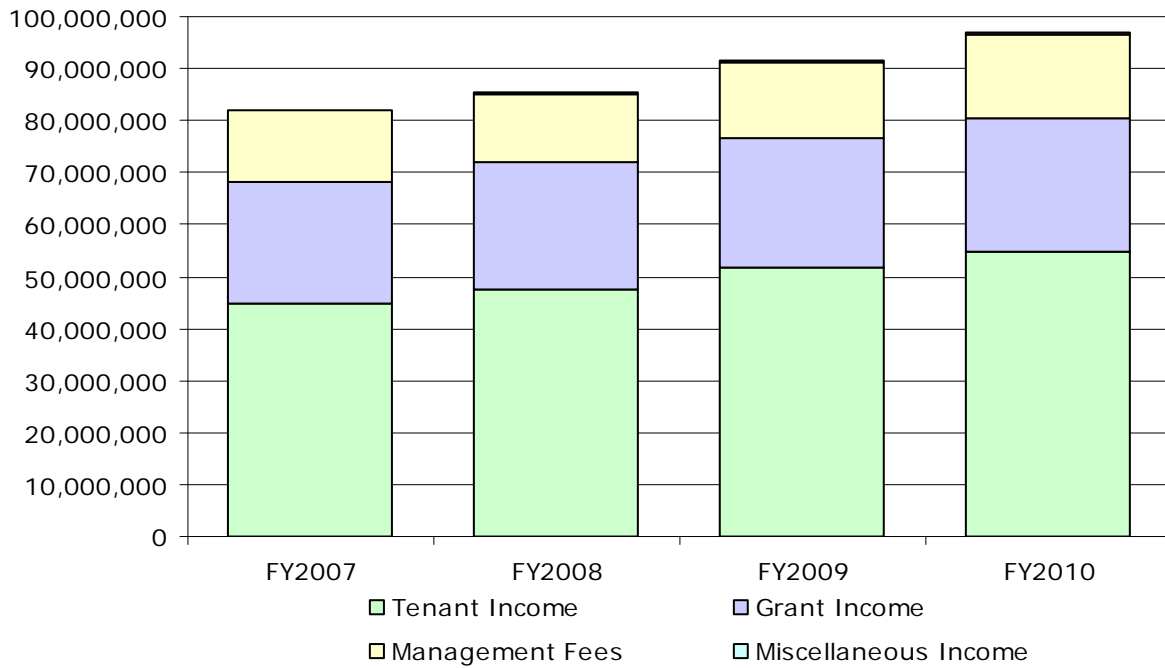


Total Agency—Revenue and Expense Statement

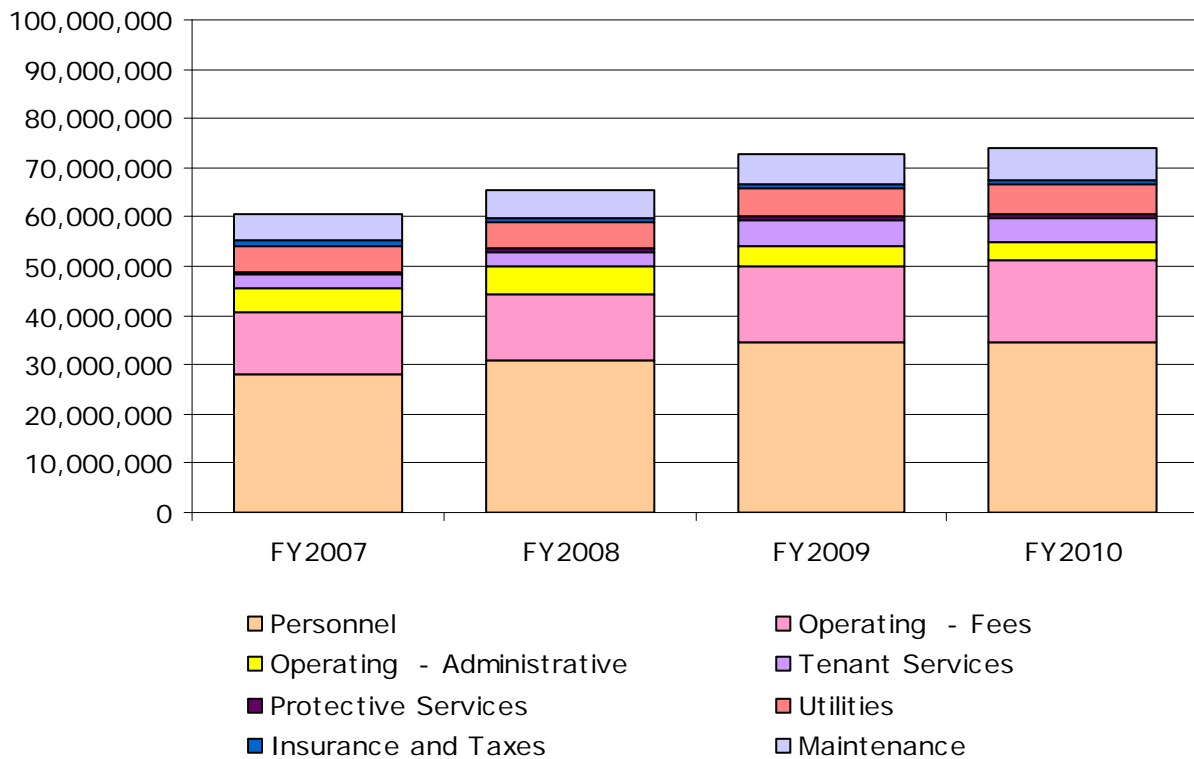
	FY 2007	FY 2008	FY 2009	FY 2010
Total Revenue and Expense Statement	Actual	Actual	Amended Budget	Adopted Budget
Operating Income				
Tenant Income	43,816,337	46,279,913	50,220,630	53,361,310
Non-Dwelling Rental Income	1,193,939	1,204,495	1,529,390	1,309,390
Federal Grant	77,032,996	79,758,706	78,898,540	79,704,970
State Grant	101,709	91,916	103,080	107,690
County Grant	7,031,563	7,368,612	10,028,210	9,734,990
Management Fees	13,773,914	13,033,919	14,608,720	16,185,720
Miscellaneous Income	177,527	256,346	380,760	327,630
TOTAL OPERATING INCOME	\$143,127,985	\$147,993,907	\$155,769,330	\$160,731,700
Operating Expenses				
Personnel Expenses	28,043,491	30,804,167	34,692,080	34,543,600
Operating Expenses - Fees	12,440,547	13,481,753	15,457,330	16,637,560
Operating Expenses - Administrative	5,010,690	5,609,845	4,083,740	3,882,400
Tenant Services Expenses	2,723,929	2,885,116	5,058,230	4,651,490
Protective Services Expenses	650,477	756,657	690,780	837,360
Utilities Expenses	5,231,707	5,309,333	5,932,610	6,169,440
Insurance and Tax Expenses	1,183,406	1,066,791	878,620	918,420
Maintenance Expenses	5,294,981	5,697,233	5,816,250	6,350,200
Housing Assistance Payments (HAP)	61,005,185	62,504,281	64,046,540	63,934,690
TOTAL OPERATING EXPENSES	\$121,584,413	\$128,115,176	\$136,656,180	\$137,925,160
NET OPERATING INCOME	\$21,543,572	\$19,878,731	\$19,113,150	\$22,806,540
Non-Operating Income				
Investment Interest Income	40,134,246	39,920,939	36,165,790	37,862,990
FHA Risk Sharing Insurance	603,161	589,891	537,440	537,440
Transfer Between Funds	10,696,840	10,441,722	8,775,950	6,802,220
TOTAL NON-OPERATING INCOME	\$51,434,247	\$50,952,552	\$45,479,180	\$45,202,650
Non-Operating Expenses				
Interest Payment	38,404,541	40,673,956	39,148,960	41,668,170
Mortgage Insurance	630,235	573,447	640,740	701,240
Principal Payment	5,385,657	5,388,168	5,149,480	5,847,370
Operating and Replacement Reserves	13,416,266	10,461,536	6,446,120	7,069,220
Restricted Cash Flow	3,601,820	2,776,002	6,285,170	4,946,720
Development Corporation Fees	1,639,626	1,379,128	1,454,510	1,791,280
Miscellaneous Bond Financing Expenses	1,457,507	1,118,793	1,229,930	1,087,440
FHA Risk Sharing Insurance	606,075	589,891	537,440	537,440
Transfer Out Between Funds	6,526,766	6,951,789	3,699,980	4,360,310
TOTAL NON-OPERATING EXPENSES	\$71,668,493	\$69,912,710	\$64,592,330	\$68,009,190
NET NON-OPERATING ADJUSTMENTS	(\$20,234,246)	(\$18,960,158)	(\$19,113,150)	(\$22,806,540)
NET CASH FLOW	\$1,309,326	\$918,573	\$0	\$0

Operating Budget—Total Agency

Total Operating Income w/o HAP

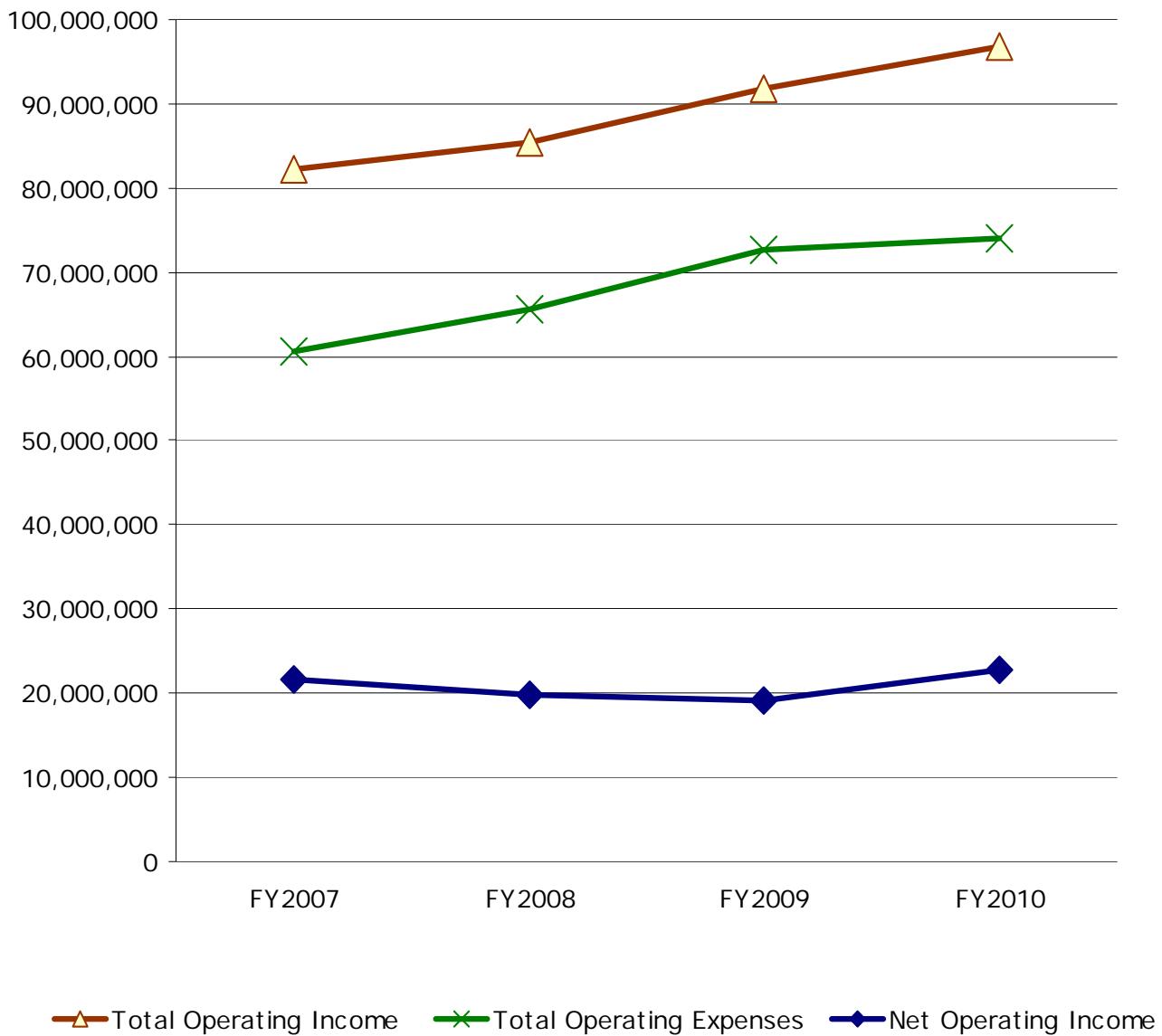


Total Operating Expenses w/o HAP



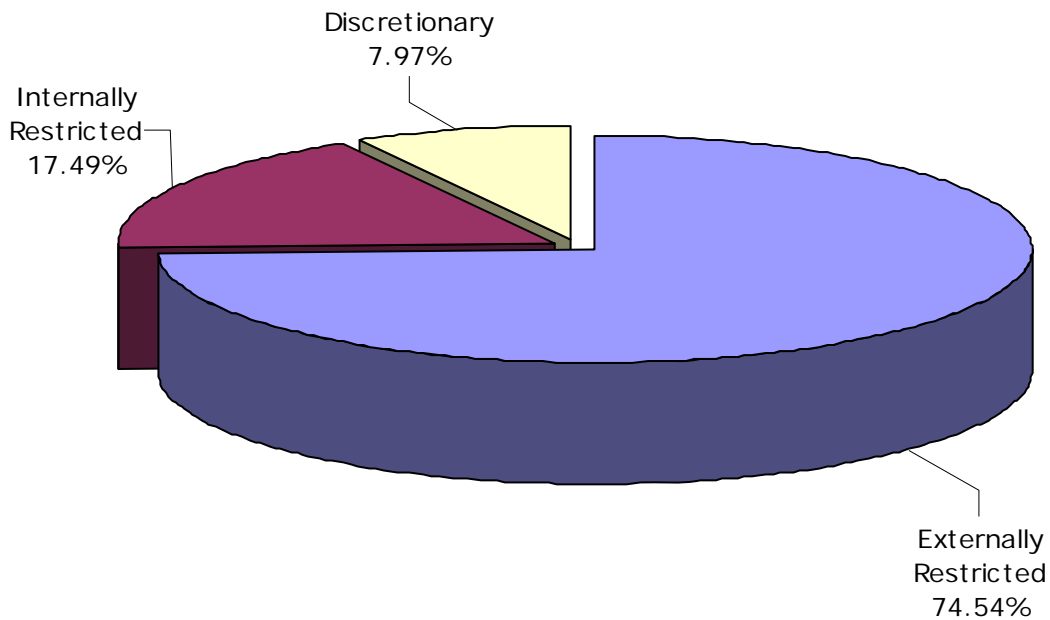
Operating Budget—Total Agency

Net Operating Income w/o HAP



FY 2010 Revenue Restrictions

Revenue Restriction (Showing externally placed restrictions)	FY 10 Adopted Budget			Total
	Externally Restricted	Internally Restricted	Discretionary	
Operating Income				
Property Related Income	18,415,820	34,570,160	1,684,720	54,670,700
Federal Grant	79,704,970			79,704,970
State Grant	107,690			107,690
County Grant	9,734,990			9,734,990
Management Fees	0	1,456,460	14,729,260	16,185,720
Miscellaneous Income	327,630			327,630
TOTAL OPERATING INCOME	\$108,291,100	\$36,026,620	\$16,413,980	\$160,731,700
Non-Operating Income				
Interest Income	37,862,990			37,862,990
FHA Risk Sharing	537,440			537,440
Transfer Between Funds	6,802,220			6,802,220
TOTAL NON-OPERATING INCOME	\$45,202,650	\$0	\$0	\$45,202,650
TOTAL - ALL REVENUE SOURCES	\$153,493,750	\$36,026,620	\$16,413,980	\$205,934,350

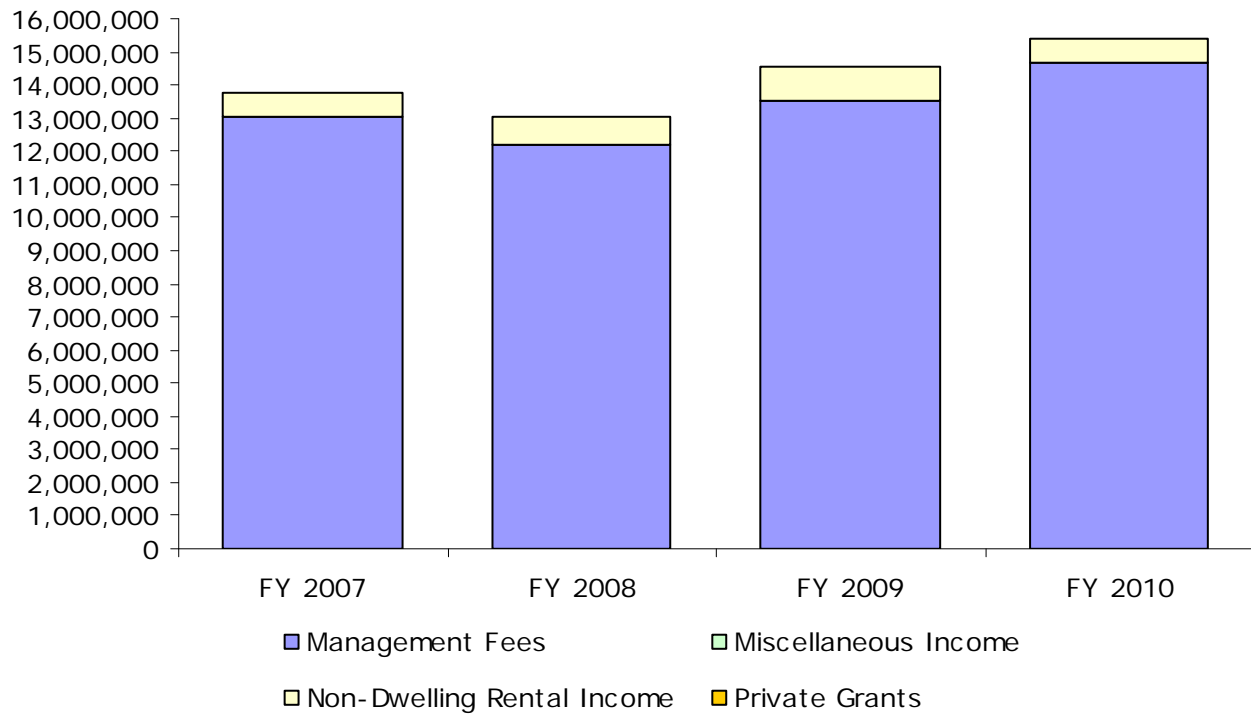


General Fund—Revenue and Expense Statement

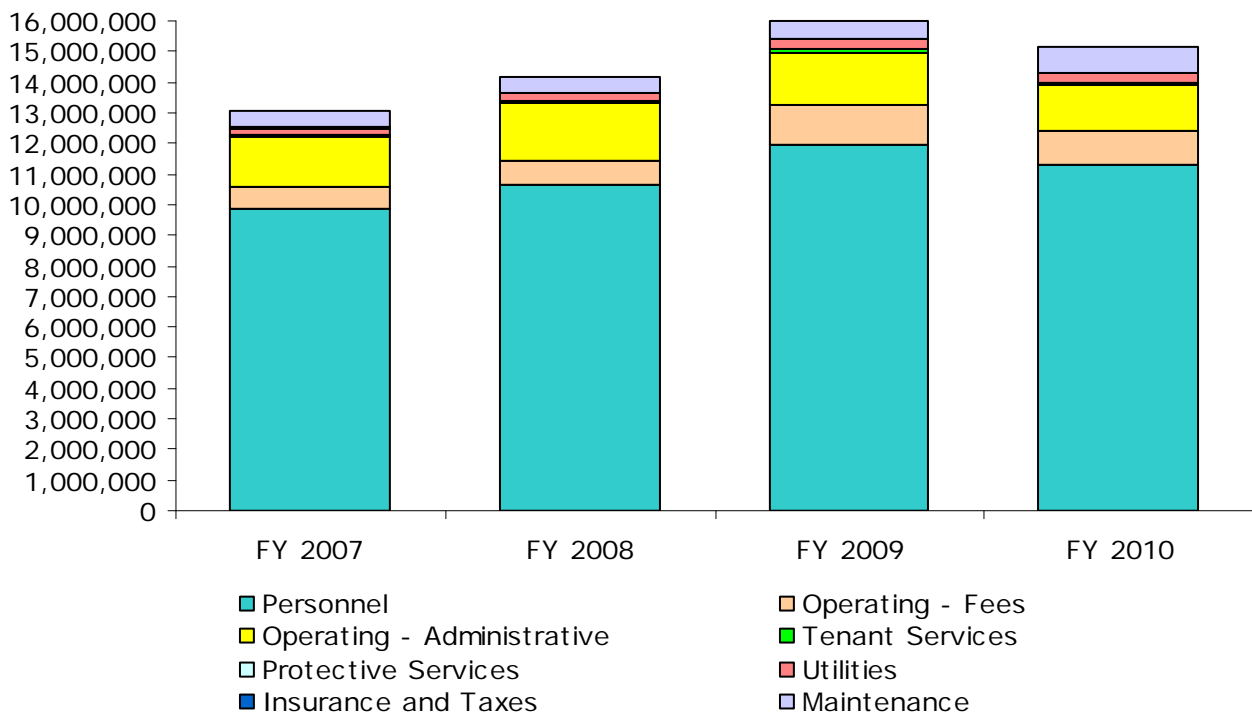
General Fund	FY 2007 Actual	FY 2008 Actual	FY 2009 Amended Budget	FY 2010 Adopted Budget
Operating Income				
Non-Dwelling Rental Income	682,355	867,098	1,031,790	730,970
Management Fees	13,048,826	12,174,297	13,505,270	14,673,110
Miscellaneous Income	20,025	25,241	0	0
TOTAL OPERATING INCOME	\$13,751,206	\$13,066,636	\$14,537,060	\$15,404,080
Operating Expenses				
Personnel Expenses	9,837,195	10,669,014	11,975,110	11,276,180
Operating Expenses - Fees	741,467	771,080	1,268,970	1,117,900
Operating Expenses - Administrative	1,624,871	1,885,670	1,742,170	1,486,000
Tenant Services Expenses	29,285	51,675	67,890	55,120
Protective Services Expenses	40,869	42,771	30,500	51,000
Utilities Expenses	213,129	225,313	325,410	299,610
Insurance and Tax Expenses	22,836	6,375	4,720	4,890
Maintenance Expenses	532,869	549,226	554,450	868,680
TOTAL OPERATING EXPENSES	\$13,042,521	\$14,201,124	\$15,969,220	\$15,159,380
NET OPERATING INCOME	\$708,685	(\$1,134,488)	(\$1,432,160)	\$244,700
Non-Operating Income				
Investment Interest Income	819,929	807,908	436,890	0
FHA Risk Sharing Insurance	603,161	589,891	537,440	537,440
Transfer Between Funds	1,808,968	2,063,953	1,422,470	942,090
TOTAL NON-OPERATING INCOME	\$3,232,058	\$3,461,752	\$2,396,800	\$1,479,530
Non-Operating Expenses				
Interest Payment	33,748	39,042	45,400	36,540
Principal Payment	171,277	219,022	294,690	377,640
Operating Reserves	1,707,922	306,999	595,620	551,230
FHA Risk Sharing Insurance	606,075	589,891	537,440	537,440
Transfer Out Between Funds	102,472	1,042,623	693,700	1,151,540
TOTAL NON-OPERATING EXPENSES	\$2,621,494	\$2,197,577	\$2,166,850	\$2,654,390
NET NON-OPERATING ADJUSTMENTS	\$610,564	\$1,264,175	\$229,950	(\$1,174,860)
NET CASH FLOW	\$1,319,249	\$129,687	(\$1,202,210)	(\$930,160)

Operating Income and Operating Expenses—General Fund

Operating Income



Operating Expenses



Public Fund (Grants)—Income Summary

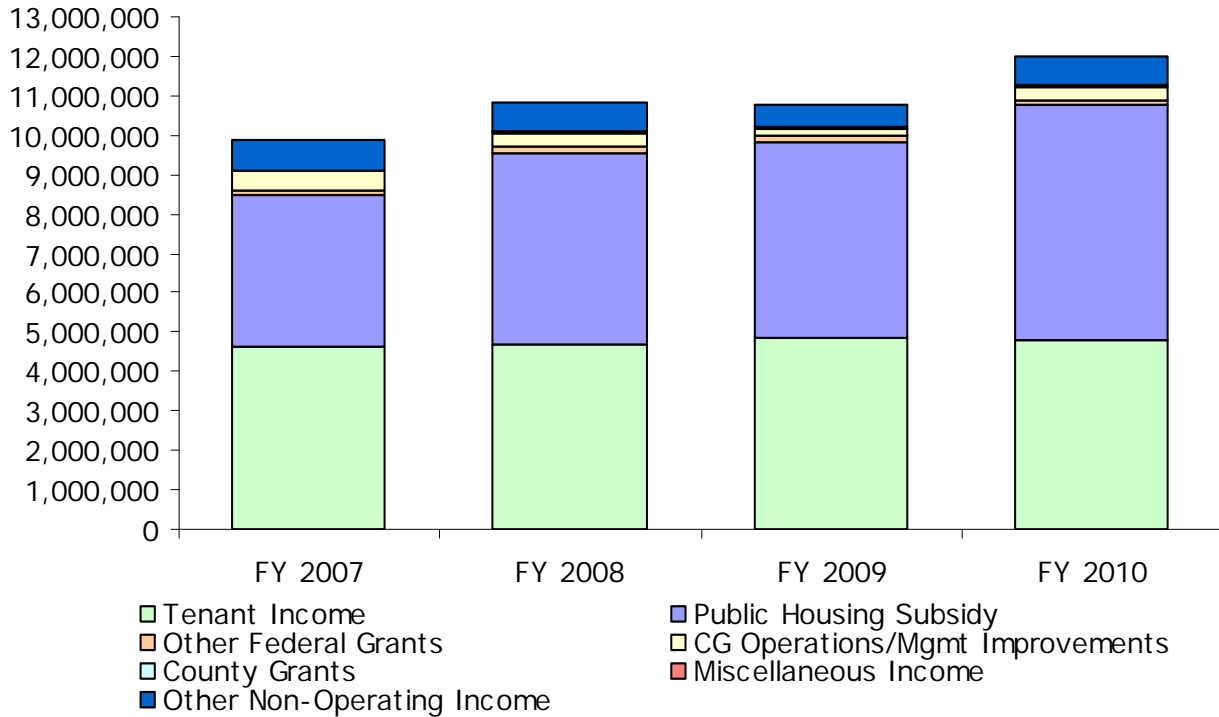
Public Fund Federal, State and County Grants Income Summary	FY 2007 Actual	FY 2008 Actual	FY2009 Amended Budget	FY2010 Adopted Budget
Federal Funds				
Comp Grant	1,089,161	746,596	1,022,510	1,130,570
Shelter Plus Care	449,267	469,118	592,420	619,700
Shelter Plus Care - New Neighbors	121,355	118,033	143,030	143,030
Shelter Plus Care - New Neighbors II	0	0	0	54,350
McKinney Grants	3,135,132	3,422,806	3,372,260	3,477,420
ROSS Grant	1,742	91,740	384,440	357,220
TOTAL - FEDERAL FUNDS	\$4,796,657	\$4,848,293	\$5,514,660	\$5,782,290
Federal Funds - Other				
Federal Home - RAP and RAP to Work	84,273	71,208	102,000	107,690
Jesup Blair Program	128,676	93,267	99,540	88,050
TOTAL - FEDERAL FUNDS (Other)	\$212,949	\$164,475	\$201,540	\$195,740
State & County Funds				
County Main Grant	5,486,710	5,636,660	6,140,640	6,136,340
County Senior Nutrition	36,666	38,214	37,500	41,600
County Closing Cost Assistance Program	144,080	160,050	125,920	141,470
Clutter to Classy, FSS Surplus Donations, BAT	0	37,657	0	0
DHCA - Jesup Blair	63,482	51,465	95,000	0
Housing First	0	0	115,560	173,820
Rent Supplemental Programs	478,402	474,738	2,331,910	1,850,350
Preservation Property Program	132,428	198,894	287,490	284,100
Parent Resource Center	0	47,160	27,400	30,500
Service Coordinators - (Old SHRAP)	1,700	63,500	153,000	302,400
Turnkey	25,000	25,000	25,000	25,000
State RAP and RAP to Work	104,890	94,651	103,080	107,690
State Service Linked Housing	38,919	38,919	40,870	38,920
Service Linked Emergency Assistance	35,000	35,000	35,000	35,000
State Housing Counselor	36,916	36,916	36,920	36,920
State Emergency Assistance	71,480	71,480	71,480	71,480
TOTAL - STATE & COUNTY FUNDS	\$6,655,673	\$7,010,304	\$9,626,770	\$9,275,590
TOTAL PUBLIC FUNDS	\$11,665,279	\$12,023,072	\$15,342,970	\$15,253,620

Public Housing Rental—Revenue and Expense Statement

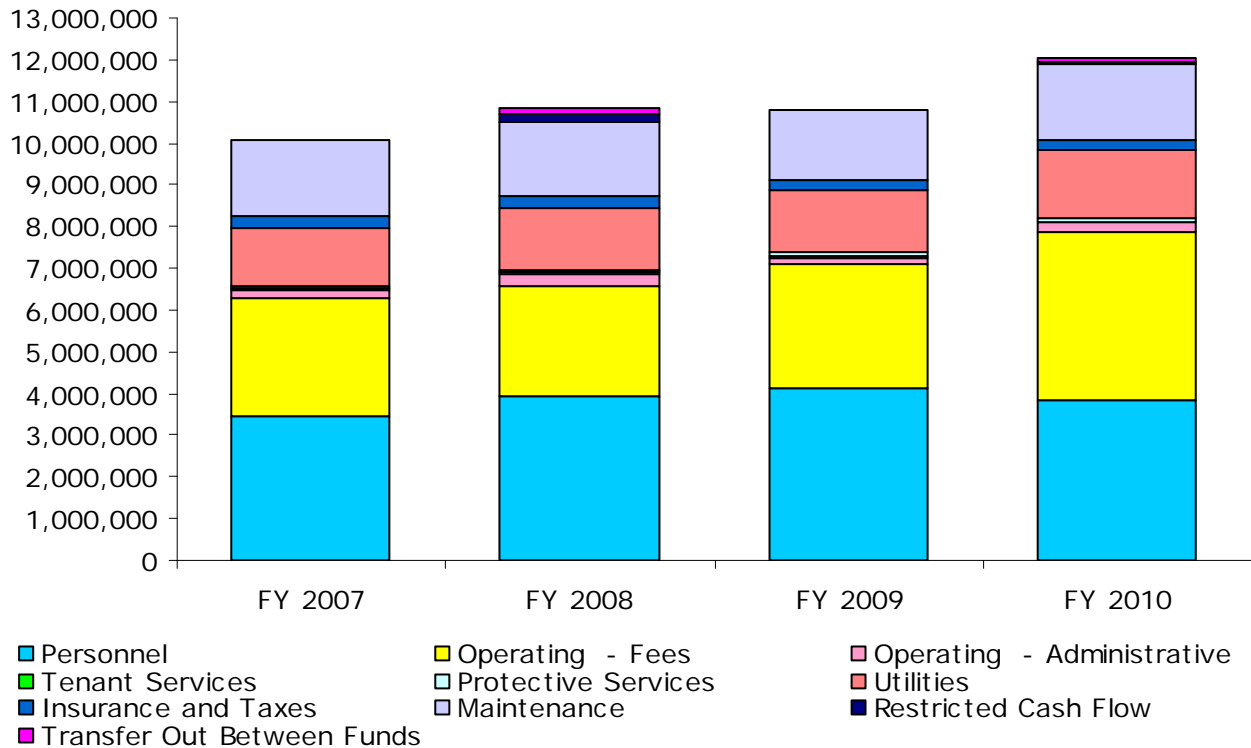
Public Housing Rental	FY 2007 Actual	FY 2008 Actual	FY 2009 Amended Budget	FY 2010 Adopted Budget
Operating Income				
Tenant Income	4,603,507	4,706,839	4,844,550	4,811,040
Public Housing Operating Subsidy	3,870,519	4,860,814	4,985,560	5,959,020
Other Federal Grants	123,079	124,080	129,170	129,470
County Grants	10,000	0	10,000	10,000
Miscellaneous Income	29,505	51,020	40,630	37,100
TOTAL OPERATING INCOME	8,636,610	\$9,742,753	\$10,009,910	\$10,946,630
Operating Expenses				
Personnel Expenses	3,431,060	3,921,195	4,129,480	3,853,130
Operating Expenses - Fees	2,869,716	2,648,366	2,975,900	4,031,990
Operating Expenses - Administrative	192,815	309,009	161,760	199,420
Tenant Services Expenses	9,532	9,893	38,000	39,450
Protective Services Expenses	46,911	47,536	61,810	76,140
Utilities Expenses	1,414,979	1,517,029	1,526,110	1,644,830
Insurance and Tax Expenses	292,415	263,925	225,900	236,260
Maintenance Expenses	1,805,910	1,792,944	1,662,310	1,818,770
TOTAL OPERATING EXPENSES	\$10,063,338	\$10,509,897	\$10,781,270	\$11,899,990
NET OPERATING INCOME	(\$1,426,728)	(\$767,144)	(\$771,360)	(\$953,360)
Non-Operating Income				
CG Operations/Mgmt Improvements	482,235	360,690	200,000	300,000
Investment Interest Income	(8,736)	53,693	(13,950)	(6,870)
Transfer Between Funds	779,994	687,752	585,310	777,120
TOTAL NON-OPERATING INCOME	\$1,253,493	\$1,102,135	\$771,360	\$1,070,250
Non-Operating Expenses				
Restricted Cash Flow	0	189,373	0	25,890
Transfer Out Between Funds	0	145,618	0	91,000
TOTAL NON-OPERATING EXPENSES	\$0	\$334,991	\$0	\$116,890
NET NON-OPERATING ADJUSTMENTS	\$1,253,493	\$767,144	\$771,360	\$953,360
NET CASH FLOW	(\$173,235)	\$0	\$0	\$0

Total Income and Total Expenses—Public Housing Rental

Total Income



Total Expenses



Public Housing Homeownership—Revenue and Expense Statement

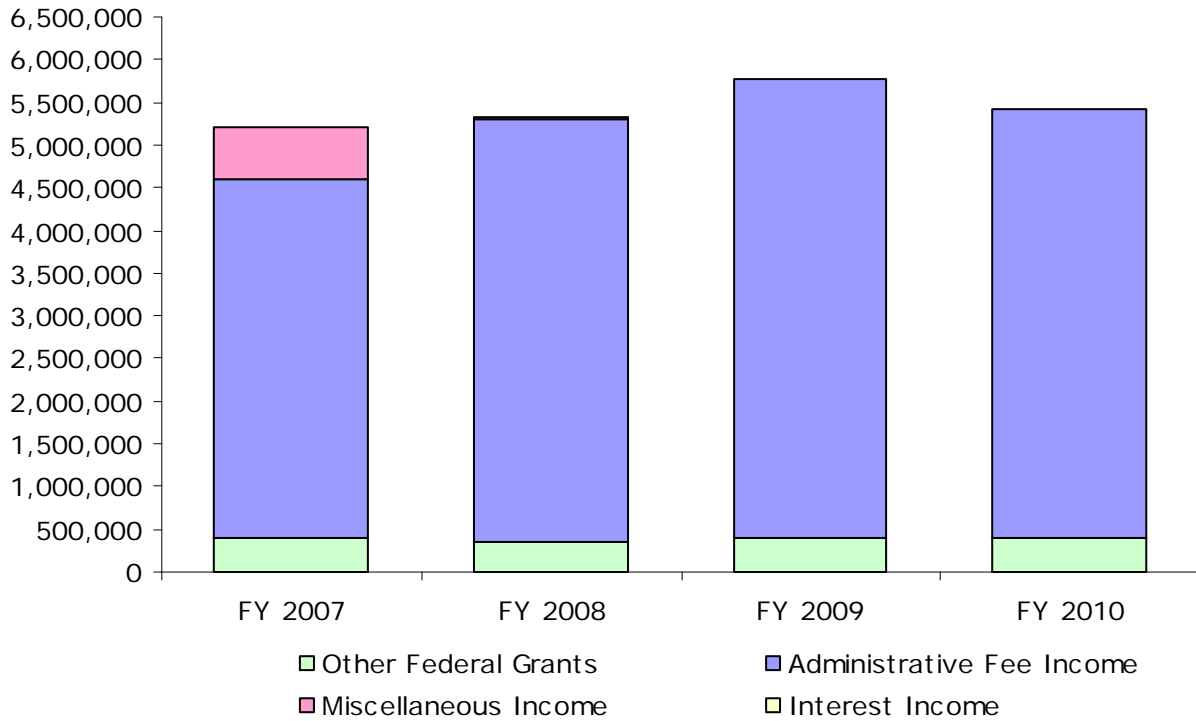
	FY 2007	FY 2008	FY 2009	FY 2010
Public Housing Homeownership	Actual	Actual	Amended Budget	Adopted Budget
Operating Income				
Tenant Income	6,235	3,317	6,260	6,330
Federal Grant	94,535	102,157	125,220	135,460
Miscellaneous Income	225	373	300	300
TOTAL OPERATING INCOME	\$100,995	\$105,847	\$131,780	\$142,090
Operating Expenses				
Personnel Expenses	41,618	52,459	75,520	82,610
Operating Expenses - Fees	12,529	13,604	14,900	17,920
Operating Expenses - Administrative	1,568	1,859	1,510	1,640
Utilities Expenses	18,266	25,368	18,100	18,170
Insurance and Tax Expenses	2,873	2,741	2,620	2,680
Maintenance Expenses	42,200	21,463	52,190	41,550
TOTAL OPERATING EXPENSES	\$119,054	\$117,494	\$164,840	\$164,570
NET OPERATING INCOME	(\$18,059)	(\$11,647)	(\$33,060)	(\$22,480)
Non-Operating Income				
Investment Interest Income	(3)	5,605	6,010	(20)
Transfer Between Funds - Rental License	494	494	420	420
TOTAL NON-OPERATING INCOME	\$491	\$6,099	\$6,430	\$400
NET NON-OPERATING ADJUSTMENTS	\$491	\$6,099	\$6,430	\$400
NET CASH FLOW	(\$17,568)	(\$5,548)	(\$26,630)	(\$22,080)

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

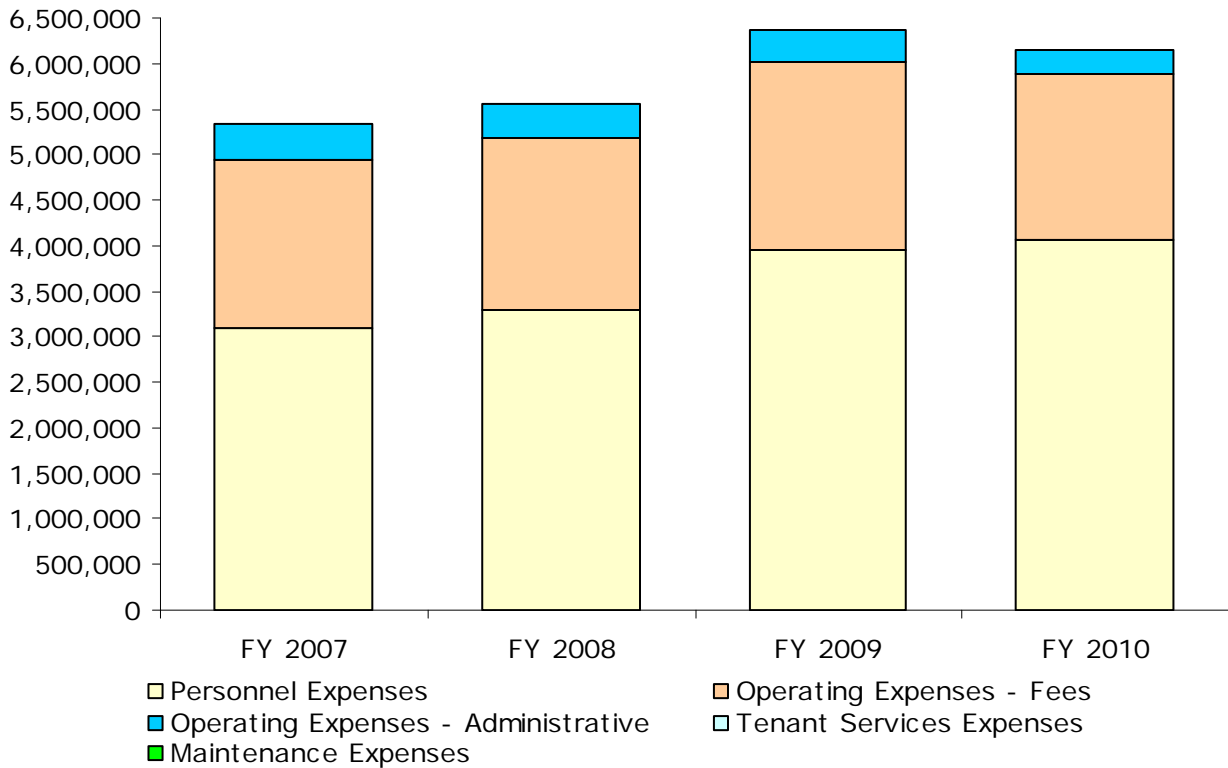
	FY 2007	FY 2008	FY 2009	FY 2010
Housing Choice Voucher Program	Actual	Actual	Amended Budget	Adopted Budget
Operating Income				
Housing Assistance Payments (HAP)	64,255,562	65,423,167	63,160,310	63,160,310
Other Federal Grants	392,065	360,327	397,030	400,490
Administrative Fee Income	4,215,230	4,939,932	5,365,050	5,024,040
Administrative Fee Income - Carryover	577,149	0	0	0
Miscellaneous Income	17,967	16,247	0	0
TOTAL OPERATING INCOME	\$69,457,973	\$70,739,673	\$68,922,390	\$68,584,840
Operating Expenses				
Personnel Expenses	3,101,500	3,291,154	3,942,310	4,056,370
Operating Expenses - Fees	1,828,959	1,895,150	2,080,860	1,835,970
Operating Expenses - Administrative	398,482	359,881	348,420	266,750
Maintenance Expenses	7,380	2,072	0	0
Housing Assistance Payments (HAP)	60,310,407	61,813,393	63,180,310	63,180,310
TOTAL OPERATING EXPENSES	\$65,646,728	\$67,361,650	\$69,551,900	\$69,339,400
NET OPERATING INCOME	\$3,811,245	\$3,378,023	(\$629,510)	(\$754,560)
Non-Operating Income				
Investment Interest Income	0	1,746	0	0
TOTAL NON-OPERATING INCOME	\$0	\$1,746	\$0	\$0
Non-Operating Expenses				
Operating and Replacement Reserves	3,885,478	3,631,910	0	0
TOTAL NON-OPERATING EXPENSES	\$3,885,478	\$3,631,910	\$0	\$0
NET NON-OPERATING ADJUSTMENTS	(\$3,885,478)	(\$3,630,164)	\$0	\$0
NET CASH FLOW	(\$74,233)	(\$252,141)	(\$629,510)	(\$754,560)

Total Income and Total Expenses—HCV Program

Total Income w/o HAP



Total Expense w/o HAP

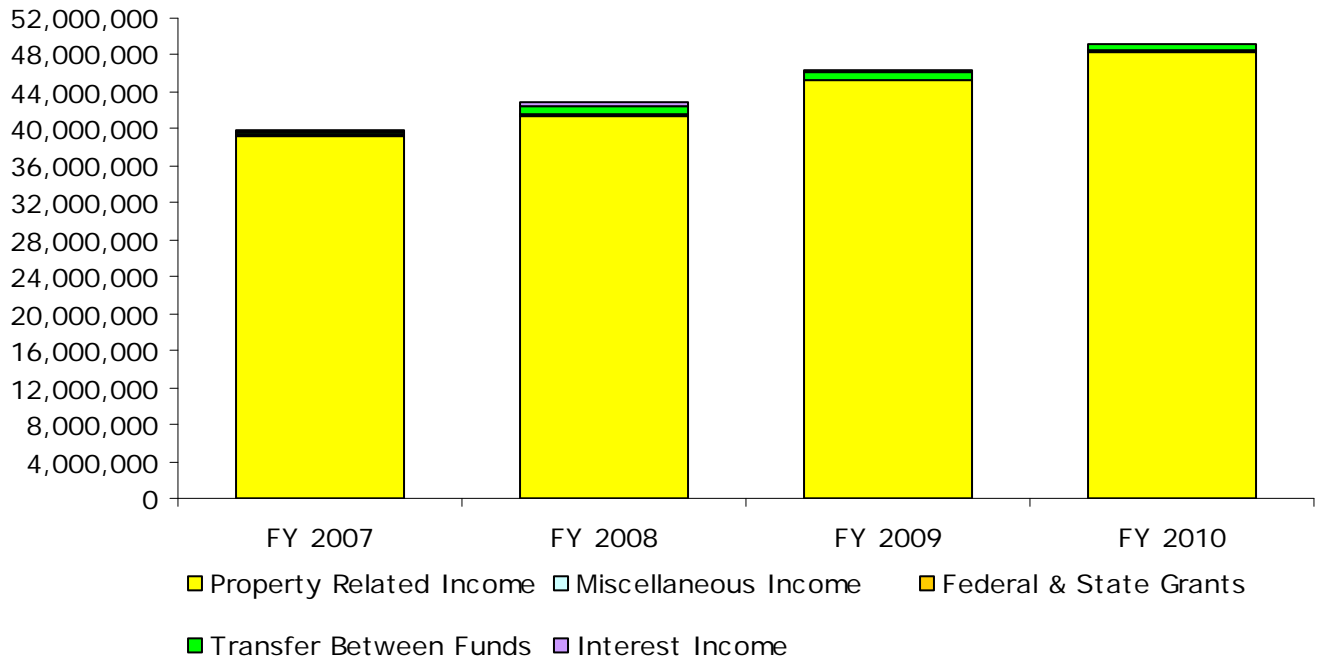


Opportunity Housing Fund and Development Corporations— Revenue and Expense Statement

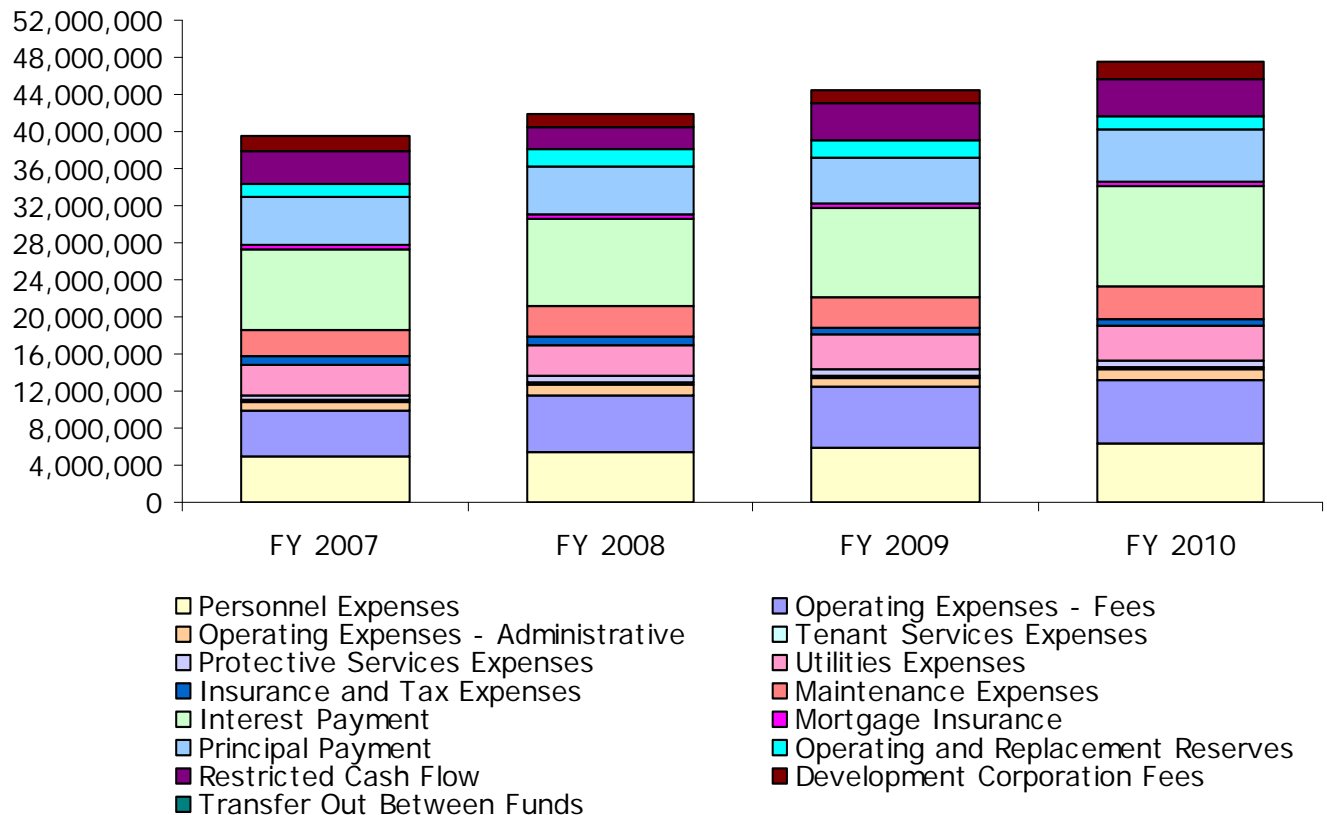
Opportunity Housing and Development Corporations	FY 2007 Actual	FY 2008 Actual	FY 2009 Amended Budget	FY 2010 Proposed Budget
Operating Income				
Tenant Income	38,709,470	41,012,401	44,728,910	47,866,780
Non-Dwelling Rental Income	494,347	296,711	470,200	547,930
Federal Grant	40,689	31,034	42,000	42,000
Miscellaneous Income	158,073	164,345	149,700	137,940
TOTAL OPERATING INCOME	\$39,402,579	\$41,504,491	\$45,390,810	\$48,594,650
Operating Expenses				
Personnel Expenses	4,888,709	5,482,227	5,885,380	6,348,690
Operating Expenses - Fees	4,928,297	6,030,261	6,557,850	6,751,150
Operating Expenses - Administrative	1,028,262	1,236,734	1,063,150	1,178,300
Tenant Services Expenses	191,456	213,015	205,830	220,090
Protective Services Expenses	562,698	665,949	598,470	709,020
Utilities Expenses	3,336,851	3,292,121	3,784,220	3,868,550
Insurance and Tax Expenses	850,937	859,600	642,370	671,110
Maintenance Expenses	2,865,639	3,305,123	3,497,330	3,587,580
TOTAL OPERATING EXPENSES	\$18,652,849	\$21,085,030	\$22,234,600	\$23,334,490
NET OPERATING INCOME	\$20,749,730	\$20,419,461	\$23,156,210	\$25,260,160
Non-Operating Income				
Investment Interest Income	207,961	261,901	153,150	(43,610)
Transfer Between Funds	152,350	1,048,280	721,830	558,050
TOTAL NON-OPERATING INCOME	\$360,311	\$1,310,181	\$874,980	\$514,440
Non-Operating Expenses				
Interest Payment	8,678,385	9,453,387	9,504,990	10,682,380
Mortgage Insurance	493,827	522,013	589,520	672,890
Principal Payment	5,214,380	5,169,146	4,854,790	5,469,730
Operating and Replacement Reserves	1,279,734	1,904,981	1,761,760	1,590,820
Restricted Cash Flow	3,559,516	2,259,961	4,033,900	3,879,220
Development Corporation Fees	1,639,626	1,379,128	1,454,510	1,791,280
Transfer Out Between Funds	7,031	0	0	3,560
TOTAL NON-OPERATING EX-	\$20,872,499	\$20,688,616	\$22,199,470	\$24,089,880
NET NON-OPERATING ADJUSTMENTS	(\$20,512,188)	(\$19,378,435)	(\$21,324,490)	(\$23,575,440)
NET CASH FLOW	\$237,542	\$1,041,026	\$1,831,720	\$1,684,720

Total Income and Total Expenses— Opportunity and Development Corporations Portfolio

Total Income



Total Expenses



HOC Owned/Managed Properties—Net Cash Flow Statement

Opportunity Housing and Development Corps FY 2010 Operating Budget	Total Operating Income	Total Operating Expenses	Net Operating Income	Annual Debt Services	Annual Escrow for RfR	Asset & Loan Management Fees	FY 2010 Projected Cash Flow	Restricted Cash Flow	Development Corporations Fees	FY 2010 Net Cash Flow to HOC
Alexander House	5,054,750	1,913,330	3,141,420	1,965,870	150,000	220,260	805,290	0	805,290	0
The Barclay	1,268,320	360,780	907,540	687,990	22,800	53,830	142,920	0	142,920	0
Brookside Glen (The Glen)	1,371,550	563,350	808,200	507,010	59,020	63,740	178,430	178,430	0	0
Chelsea Towers	284,230	165,540	118,690	75,280	8,400	0	35,010	0	0	35,010
Chevy Chase Lake	1,038,850	394,320	644,530	535,450	34,000	48,160	26,920	0	26,920	0
Dale Drive	104,530	81,250	23,280	0	7,330	0	15,950	15,950	0	0
Diamond Square	1,080,110	760,330	319,780	120,000	95,600	18,260	85,920	85,920	0	0
Fairfax Court	274,870	98,260	176,610	56,580	26,820	12,750	80,460	0	0	80,460
Greenhills	1,023,360	423,280	600,080	318,560	105,380	65,740	110,400	0	0	110,400
Holiday Park	276,720	148,460	128,260	101,560	11,390	0	15,310	0	0	15,310
Magruder's Discovery	1,857,590	733,250	1,124,340	0	36,600	0	1,087,740	347,610	0	740,130
McHome	380,500	276,410	104,090	42,720	16,390	0	44,980	0	0	44,980
McKendree	252,360	177,810	74,550	0	11,200	0	63,350	0	0	63,350
MetroPointe	2,619,640	767,050	1,852,590	1,966,210	30,010	8,680	(152,310)	0	0	(152,310)
Metropolitan, The	6,374,260	1,610,840	4,763,420	2,329,450	97,200	52,760	2,284,010	2,284,010	0	0
Montgomery Arms	1,623,390	537,190	1,086,200	854,470	46,200	91,360	94,170	0	94,170	0
MHLP I	376,700	215,040	161,660	62,680	12,790	0	86,190	43,090	0	43,100
MHLP III	440,830	328,010	112,820	53,020	28,350	0	31,450	15,730	0	15,720
MHLP IV	690,080	412,430	277,650	90,970	33,660	0	153,020	76,510	0	76,510
MHLP V	292,420	222,300	70,120	92,290	17,400	0	(39,570)	0	0	(39,570)
MHLP VI	199,010	136,290	62,720	61,570	9,660	0	(8,510)	0	0	(8,510)
MPDU 2004	464,180	257,480	206,700	29,660	38,000	0	139,040	69,520	0	69,520
MPDU 2007	115,550	78,730	36,820	0	0	0	36,820	36,820	0	0
MPDU I (64)	775,990	455,390	320,600	232,810	27,540	0	60,250	0	0	60,250
TPM - MPDU II (59)	737,220	413,500	323,720	234,320	17,700	0	71,700	0	71,700	0
The Oaks @ Four Corners	1,166,000	714,500	451,500	288,500	48,000	84,990	30,010	30,010	0	0

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

Opportunity Housing and Development Corps FY 2010 Operating Budget	Total Operating Income	Total Operating Expenses	Net Operating Income	Annual Debt Services	Annual Escrow for RfR	Asset & Loan Management Fees	FY 2010 Projected Cash Flow	Restricted Cash Flow	Development Corporations Fees	FY 2010 Net Cash Flow to HOC
(Cont.)										
Paddington Square	2,130,380	1,120,600	1,009,780	1,086,400	58,100	0	(134,720)	0	0	(134,720)
Paint Branch	144,220	114,830	29,390	44,800	8,400	0	(23,810)	0	0	(23,810)
TPM - Pomander Court	347,150	207,510	139,640	47,270	7,200	0	85,170	0	85,170	0
Pooks Hill Mid-Rise	772,560	217,520	555,040	364,610	55,860	35,410	99,160	0	0	99,160
Pooks Hill High-Rise	2,385,060	1,067,220	1,317,840	836,670	29,620	171,360	280,190	280,190	0	0
Sligo Hills/ MPDU III	803,780	594,480	209,300	235,370	23,790	0	(49,860)	0	0	(49,860)
717 Sligo Creek Parkway	115,740	109,180	6,560	0	3,600	0	2,960	2,960	0	0
State Rental Combined	1,568,350	1,507,330	61,020	0	87,100	0	(26,080)	0	0	(26,080)
Strathmore Court	3,094,600	1,072,440	2,022,160	1,219,710	53,770	106,940	641,740	244,840	0	396,900
Tanglewood	846,350	680,330	166,020	7,500	33,190	0	125,330	125,330	0	0
TPM-Timberlawn	1,751,960	609,270	1,142,690	475,050	26,750	75,780	565,110	0	565,110	0
Westwood Tower	4,042,160	1,837,060	2,205,100	1,800,650	212,000	150,150	42,300	42,300	0	0
TOTAL	\$48,145,320	\$21,382,890	\$26,762,430	\$16,825,000	\$1,590,820	\$1,260,170	\$7,086,440	\$3,879,220	\$1,791,280	\$1,415,940
From reserves planned to fund specific property operating deficits										
MetroPointe							107,980			107,980
Paddington Square							134,720			134,720
State Rental Combined							26,080			26,080
Net Cash Flow - All Properties							\$7,355,220			\$1,684,720
Master Lease Properties FY 2010 Operating Budget	Total Operating Income	Total Operating Expenses	Net Operating Income	Annual Debt Services	Annual Escrow for RfR	Asset & Loan Management Fees	FY 2010 Projected Cash Flow	Excess Cash Flow Restricted	Development Corporations Fees	FY 2010 Net Cash Flow to HOC
Avalon Bay	570,460	570,460	0	0	0	0	0	0	0	0
Palisades	124,530	124,530	0	0	0	0	0	0	0	0
TOTAL	\$694,990	\$694,990	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Bond Program—Revenue and Expense Statement

	FY 2007	FY 2008	FY 2009	FY 2010
Bond Fund	Actual	Actual	Amended Budget	Adopted Budget
Operating Expenses				
Trustee Fees	574,388	637,126	1,184,980	1,408,270
Lender Services Fees	1,198,339	1,283,704	78,510	82,840
TOTAL OPERATING EXPENSES	\$1,772,727	\$1,920,830	\$1,263,490	\$1,491,110
NET OPERATING INCOME	(\$1,772,727)	(\$1,920,830)	(\$1,263,490)	(\$1,491,110)
Non-Operating Income				
Investment Interest Income	39,115,095	38,709,019	35,583,690	37,913,490
Miscellaneous Income	251,659	133,090	255,500	208,440
TOTAL NON-OPERATING INCOME	\$39,366,754	\$38,842,109	\$35,839,190	\$38,121,930
Non-Operating Expenses				
Interest Payment	29,692,409	31,181,526	29,287,100	30,637,470
Operating and Replacement Reserves	6,431,361	4,614,586	4,058,670	4,905,910
Miscellaneous Bond Financing Expenses	1,470,257	1,125,167	1,229,930	1,087,440
TOTAL NON-OPERATING EXPENSES	\$37,594,027	\$36,921,279	\$34,575,700	\$36,630,820
NET NON-OPERATING ADJUSTMENTS	\$1,772,727	\$1,920,830	\$1,263,490	\$1,491,110
NET CASH FLOW	\$0	\$0	\$0	\$0

Division Summaries

Adopted Budget
June 3, 2009

Agency Divisions

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

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

Special points of interest:

Operating Budget

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

Agency Revenues by Division

Division Summary	FY 2010		
	Adopted Budget		
	Revenues	Expenses	Net
Divisions			
Executive Division	680,370	9,620,630	(8,940,260)
Finance Division	537,440	4,112,000	(3,574,560)
Housing Management Division	70,744,470	65,781,970	4,962,500
Housing Resources Division	69,698,380	68,798,260	900,120
Mortgage Finance Division	4,406,010	2,944,960	1,461,050
Real Estate Development Division	1,671,510	1,057,570	613,940
Resident Services Division	12,536,190	12,622,760	(86,570)
SUB-TOTAL	\$160,274,370	\$164,938,150	(\$4,663,780)
Other Non-Divisions			
Agency Wide Revenue and Expenses	7,538,050	2,874,270	4,663,780
Bond Funds	38,121,930	38,121,930	0
TOTAL - ALL FUNDS	\$205,934,350	\$205,934,350	\$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:

- Housing Resource Services (HRS);
- Information Technologies;
- Finance —
 - Accounting,
 - Budget,
 - Procurement;

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

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

Executive Division

Adopted Budget
June 3, 2009

Mission Statement

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

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

Special points of interest:

FY 2010
Program
Objectives
Support Agency
Strategic Plan.

Description

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

Agency records, office facility management, internal audits, Federal Program information and compliance, Information Technology (IT) systems, Legislative and Public Affairs, and Housing Resource Services .

Program Objectives

Maintain a Quality Workforce

- Provide supervisory training on the Collective Bargaining Agreement.
- Administer provisions of the new Collective Bargaining Agreement.
- Administer and monitor pre-employment drug testing program for new employees and alcohol and drug testing program for new and existing staff.
- Coordinate the work program of the Labor Management Relations Committee to address and resolve substantive labor issues.
- Provide continuing education and technical assistance for HOC employees and supervisors on policies and practices governing the Commission and its work activities.
- Administer the HOC Ethics Policy which will establish guidelines and standards of behavior for HOC staff.
- Administer HOC Telework Program to allow telecommuting as an alternative work schedule and site location arrangement for HOC employees.

Ensure Compliance with EEO, and ADA Regulations

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

Continuous Improvement and Operational Efficiency of HOC

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

Facilities Management

- Provide for the safety and security of HOC staff and clients.
- Provide support to agency management to identify facilities requirements and to implement Customer Service Center initiative.
- Complete upgrades to Detrick Avenue building to provide office space for staff moving from the WRIT building and to facilitate transition to the Customer Service Center organizational structure.
- 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.

Internal Audit

- Work with management to ensure a system is in place which ensures that all major risks of the Agency are identified and analyzed on an annual basis.
- Plan, organize and carry out the internal audit function including the preparation of an audit plan which fulfills the responsibility of the department.
- Report to both the Commission and management on the policies, programs and activities of the Agency.

- Coordinate coverage with the external auditors and ensure that each party is not only aware of the other's work but also well briefed on areas of concern.
- Make recommendations on the systems and procedures being reviewed, report on the findings and recommendations and monitor management's response and implementation.
- Conduct any reviews or tasks requested by the Commission and/or Executive Director, provided such reviews and tasks do not compromise the independence or objectivity of the internal audit function.

Federal Programs

- Provide expert information to members of Agency staff on federally regulated programs.
- Ensure HOC compliance, for both the programs and clients, with U.S. Department of Housing and Urban Development regulations.
- Handle all fair housing complaints and issues, including requests for reasonable accommodations and fair housing investigations.

Information Technology

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

Legislative and Public Affairs, Including Housing Resource Service

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 Resource Service

- Ensure accurate information and efficient service for visitors and callers.
- Maintain and update website.
- Utilize telephone call tracking sheet.

Performance Measurement Results

Housing Resource Services (HRS)

The Housing Resource Service began operations in December of 1998. Its objective has been to respond quickly to information requests regarding HOC programs, and to be an accurate and reliable source of information about affordable housing in Montgomery County. HRS also serves as the 'switchboard' for HOC's headquarters in Kensington. HRS provides referrals to other housing providers when appropriate, particularly for the elderly and the disabled, as well as for those seeking

emergency assistance. Trained volunteers help the HRS office. In addition to providing information and referrals to visitors to HOC, HRS also provides service through HOC's website, e-mail, and US Mail.

In 2008, HOC opened two customer service centers – one in Gaithersburg and one in Silver Spring – and clients will now be able to receive information about HOC's programs and other affordable housing options at the centers.

Housing Resource Services					
Measurement	FY06	FY07	FY08	FY09	FY 2010 Projection
Telephone calls from the public per day	216	285	281	290	300
Information packets mailed per day	3	3	4	4	4
Lobby visitors each day	115	115	118	130	150
Website hits per day	259	300	319	350	500
E-mails received and answered per day	10	10	14	15	15

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	FY06	FY07	FY08	FY09	FY10
Number of Closed Help Desk Tickets	5,127	5,065	4,592	4,800	4,750 est.

Budget Overview—Executive Division

The total Adopted FY 2010 Budget for the Executive Division is \$9.62 million, an increase of 3.3% from the FY 2009 Amended Budget of \$9.32 million. Personnel costs comprise 53.7% of the budget. Operating expenses account for 19.6% of the budget.

Maintenance and other miscellaneous expenses account for 9.8% of the budget. The remaining 16.9% accounts for debt service expenses for the Information Technology and Facilities Capital Budget.

Revenue and Expense Statement

Executive Division	FY 2007 Actual	FY 2008 Actual	FY 2009 Amended Budget	FY 2010 Adopted Budget
Operating Income				
Federal Grant	0	0	920,640	0
County Grant	542,667	525,416	257,810	245,300
Miscellaneous Income	0	(8,184)	0	0
TOTAL OPERATING INCOME	\$542,667	\$517,232	\$1,178,450	\$245,300
Operating Expenses				
Personnel Expenses	3,874,132	3,976,085	5,240,320	5,170,200
Operating Expenses - Fees	546,652	554,701	669,840	561,770
Operating Expenses - Administrative	1,179,705	1,151,421	1,287,370	1,318,600
Tenant Services Expenses	8,049	20,659	21,960	13,830
Protective Services Expenses	40,787	42,416	27,000	49,000
Utilities Expenses	131,861	161,503	188,540	190,040
Insurance and Tax Expenses	2,540	2,350	2,540	2,670
Maintenance Expenses	373,111	361,017	466,400	687,750
TOTAL OPERATING EXPENSES	\$6,156,837	\$6,270,152	\$7,903,970	\$7,993,860
NET OPERATING INCOME	(\$5,614,170)	(\$5,752,920)	(\$6,725,520)	(\$7,748,560)
Non-Operating Income				
Investment Interest Income	14,156	2,194	0	0
Transfer Between Funds	103,385	152,991	414,060	435,070
TOTAL NON-OPERATING INCOME	\$117,541	\$155,185	\$414,060	\$435,070
Non-Operating Expenses				
Interest Payment	33,748	39,042	45,390	36,540
Principal Payment	171,277	219,022	294,690	377,640
Operating and Replacement Reserves	0	100,000	460,000	200,000
Transfer Out Between Funds	61,473	141,249	612,020	1,012,590
TOTAL NON-OPERATING EXPENSES	\$266,498	\$499,313	\$1,412,100	\$1,626,770
NET NON-OPERATING ADJUSTMENTS	(\$148,957)	(\$344,128)	(\$998,040)	(\$1,191,700)
NET CASH FLOW	(\$5,763,127)	(\$6,097,048)	(\$7,723,560)	(\$8,940,260)

Finance Division

Adopted Budget
June 3, 2009

Mission Statement

The mission of the Finance Division is to safeguard the Commission's assets, ensure the long term financial health of the organization,

and provide the Commission and Agency with necessary financial information and analysis on a timely basis.

Special points of interest:

The Finance Division safeguards the assets of the Commission.

Description

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

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

Program Objectives

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

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	FY06	FY07	FY08	FY09	FY10
Received Standard Unqualified Audit Opinion:					
Agency Audit	Yes	Yes	Yes	Yes	NA
HOC Owned Property Audits	Yes	Yes	Yes	Yes	NA
Non-HOC Owned Property Audits	Yes	Yes	Yes	Yes	NA
A-133 Audit	Yes	Yes	Yes	Yes	NA

Budget					
Measurement	FY06	FY07	FY08	FY09	FY10
Number of consecutive years receiving GFOA Best Budget Award	2	3	4	5	NA

Procurement					
Measurement	FY06	FY07	FY08	FY09	FY10
Number of Contracts Awarded	250	249	253	275 (est.)	300 (est.)
Percent of Dollars issued to Minority/ Female/Disabled-Outreach (MFD) firms	22%	27%	25%	25% (est.)	25% (est.)
Number of Purchase Orders (POs) issued	13,000 (est.)	14,313	13,680	15,000 (est.)	16,000 (est.)

Budget Overview—Finance Division

The total Adopted FY 2010 Budget for the Finance Division is \$4.11 million, an increase of 6.3% from the FY 2009 Amended Budget of \$3.87 million. Personnel costs comprise 94.5% of total operating expenses. Fees and Administrative expenses account for the

balance of the budget. FHA Risk Sharing Insurance is a pass through expense with offsetting income. **Please note that the FY 2009 Amended Budget and the FY 2010 Adopted Budget both reflect changes as a result of the Agency re-organization.**

Revenue and Expense Statement

Finance Division	FY 2007 Actual	FY 2008 Actual	FY 2009 Amended Budget	FY 2010 Adopted Budget
Operating Income				
Federal Grant	0	0	138,960	0
Miscellaneous Income	2,283	6,225	0	0
TOTAL OPERATING INCOME	\$2,283	\$6,225	\$138,960	\$0
Operating Expenses				
Personnel Expenses	2,726,191	2,916,424	3,017,380	3,378,510
Operating Expenses - Fees	123,218	83,752	135,780	149,940
Operating Expenses - Administrative	138,882	170,033	176,910	45,610
Tenant Services Expenses	237	1,669	0	500
TOTAL OPERATING EXPENSES	\$2,988,528	\$3,171,878	\$3,330,070	\$3,574,560
NET OPERATING INCOME	(\$2,986,245)	(\$3,165,653)	(\$3,191,110)	(\$3,574,560)
Non-Operating Income				
Investment Interest Income	797,934	800,642	436,880	0
FHA Risk Sharing Insurance	603,161	589,891	537,440	537,440
TOTAL NON-OPERATING INCOME	\$1,401,095	\$1,390,533	\$974,320	\$537,440
Non-Operating Expenses				
FHA Risk Sharing Insurance	606,075	589,891	537,440	537,440
TOTAL NON-OPERATING EXPENSES	\$606,075	\$589,891	\$537,440	\$537,440
NET NON-OPERATING ADJUSTMENTS	\$795,020	\$800,642	\$436,880	\$0
NET CASH FLOW	(\$2,191,225)	(\$2,365,011)	(\$2,754,230)	(\$3,574,560)

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Housing Management Division

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

Mission Statement

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

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

Special points of interest:

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

Description

The Housing Management Division oversees a portfolio of 6,809 units consisting of 53 multi-family properties and over 1,700 scattered site units. The Division is comprised of the Property Management Department which is responsible for managing 3,473 rental units and the Asset Management Department which is responsible for monitoring third-party management companies which manage 3,336 units.

The Property Management portfolio contains Public Housing, Section 236 Family Properties and Properties for Independent Seniors and Disabled, Section 8, Opportunity Housing, tax credit units, state partnership rentals, market rate units and scattered sites.

The Asset Management portfolio contains mixed-income luxury and older multi-family properties as well as properties for seniors and Federal Section 236 and Section 8 properties, tax credit and market rate units.

The Division:

- Ensures occupancy by qualified households under numerous Federal, State and local affordable housing programs.
- Ensures that all dwelling units are maintained at or above community norms, and in compliance with Federal Uniform Physical Condition Standards (UPCS) and local housing codes.
- Enforces the terms and conditions of residents' leases.
- Inspects residency of all Housing Choice Voucher (HCV) clients to insure compliance with Housing Quality Standards (HQS).
- Performs preventive maintenance on all units and building systems in order to extend their useful life.
- Responds to emergency maintenance needs and ensures that all units are in good repair.
- Keeps the grounds and common areas clean and well appointed.

- Assures high satisfaction levels and services as required.
- Conducts annual resident satisfaction surveys.
- Delivers quality services to a diverse population with a variety of programs and housing types.

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

- Public Housing – ten multi-family properties and scattered sites - 1,554 units.
- HUD Project Based Section 8 New Construction – five properties – 488 units.
- HUD Section 236 – six properties – 712 units (three are owned by non-profit corporations and three are owned by Tax Credit Partnerships).
- State Rental Partnership – 196 units.
- Low Income Housing Tax Credit (LIHTC)

Programs - 19 different partnerships – 1,556 units.

- Scattered-site rental units located in over 275 communities – 1,717 units.
- Mixed Income Properties – 16 properties - 2,351 units.
- Senior Properties for Independent Living - nine properties - 1,104 units.
- Properties with Public Purpose at or below 60% AMI - 4,970 units or 73% of our total portfolio.
- Single Room Occupancy (SRO) – two properties – 286 units.
- Market Rate Units – 20 properties – 1,451 units.

Properties in the portfolio that are not part of HOC's FY 2010 Operating Budget but are on a calendar year include:

- 712 Section 236 Units.
- 1,556 Tax Credit Units.

The Division's Modernization and Construction Management Office was involved during the year in designing, planning and administering over 79 construction/renovation projects with total budgets exceeding \$10.1 million.

Program Objectives

Utilization

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

Contribute to a Positive Housing Environment

- Provide responsive and quality maintenance that ensures that 99% of emergency work orders are abated within 24 hours and that the average response time for non-emergency work orders does not exceed 25 days, the highest rating

level under the Public Housing Assessment System (PHAS).

- Inspect 100% of the Public Housing units and HCV units and common areas annually.
- Assure that our residents and neighbors have the peaceful enjoyment of their homes by actively enforcing the lease contract in order to contribute to a successful "Good Neighbor" policy.

Performance Measurement Results

Public Housing Management

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

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

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

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

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

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

In FY 2007, HOC maintained its high performer status under PHAS with another overall score of 94. While the management score dipped slightly, the fiscal component attained a perfect 30 out of 30 possible points. Notably, HOC's physical inspection score remained at 28, an excellent assessment.

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

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

HOC's PHAS score for FY 2008 will only be based upon a score for the physical inspection results. HUD states that FY 2009, ending on June 30, 2009, will be the first year that it will assign a PHAS score under the new regulations for each Asset Management Project (AMP).

PHAS Score

PHAS Score								
PHAS Component	Actual Score FY 2006	Max Score FY 2006	Actual Score FY 2007	Max Score FY 2007	Actual Score FY 2008	Max Score FY 2008	Preliminary Score FY 2009	Max Score FY 2009
Physical	28.0	30.0	28.0	30.0	NA	HUD is Revising PHAS	NA	HUD is Revising PHAS
Financial	28.0	30.0	30.0	30.0	NA	HUD is Revising PHAS	NA	HUD is Revising PHAS
Management	29.0	30.0	27.0	30.0	NA	HUD is Revising PHAS	NA	HUD is Revising PHAS
Resident	9.0	10.0	9.0	10.0	NA	HUD is Revising PHAS	NA	HUD is Revising PHAS
Overall	94.0	100.0	94.0	100.0	NA	HUD is Revising PHAS	NA	HUD is Revising PHAS

Budget Overview—Housing Management—Administrative

The Adopted FY 2010 budgeted revenues for Housing Management Division Administration are \$8.3 million. Total expenses in the FY 2010 Operating Budget are \$3.80 million. Personnel costs comprise 77.2% of the operating budget. Other operating costs constitute 22.8% of the

operating budget. **Please note that the FY 2009 Amended Budget and the FY 2010 Adopted Budget both reflect changes as a result of the Agency re-organization.**

Revenue and Expense Statement

Housing Management Division Administration	FY 2007 Actual	FY 2008 Actual	FY 2009 Amended Budget	FY 2010 Adopted Budget
Operating Income				
Federal Grant	0	0	971,610	0
County Grant	1,003,063	1,017,482	1,037,920	1,037,920
Management Fees	5,492,991	5,636,135	5,935,260	7,281,880
Miscellaneous Income	5,466	0	0	0
TOTAL OPERATING INCOME	\$6,501,520	\$6,653,617	\$7,944,790	\$8,319,800
Operating Expenses				
Personnel Expenses	2,081,892	2,095,603	2,898,710	2,913,450
Operating Expenses - Fees	2,421	3,694	386,180	327,060
Operating Expenses - Administrative	324,674	399,791	364,950	305,440
Tenant Services Expenses	0	508	0	0
Protective Services Expenses	82	355	3,500	0
Utilities Expenses	81,268	63,810	75,100	81,600
Insurance and Tax Expenses	2,170	4,035	2,180	2,220
Maintenance Expenses	159,758	180,236	72,170	145,150
TOTAL OPERATING EXPENSES	\$2,652,265	\$2,748,032	\$3,802,790	\$3,774,920
NET OPERATING INCOME	\$3,849,255	\$3,905,585	\$4,142,000	\$4,544,880
Non-Operating Income				
Investment Interest Income	6,062	3,724	0	0
Transfer Between Funds	41,153	0	21,010	3,560
TOTAL NON-OPERATING INCOME	\$47,215	\$3,724	\$21,010	\$3,560
Non-Operating Expenses				
Operating and Replacement Reserves	161,685	206,999	135,630	181,990
Transfer Out Between Funds	1,012,838	1,099,866	1,037,920	1,088,670
TOTAL NON-OPERATING EXPENSES	\$1,174,523	\$1,306,865	\$1,173,550	\$1,270,660
NET NON-OPERATING ADJUSTMENTS	(\$1,127,308)	(\$1,303,141)	(\$1,152,540)	(\$1,267,100)
NET CASH FLOW	\$2,721,947	\$2,602,444	\$2,989,460	\$3,277,780

Budget Overview—Housing Management— Elderly Properties

The Adopted FY 2010 budgeted revenues for elderly properties are \$5.06 million. The total expenses in the FY 2010 Operating Budget

are \$4.64 million. Non-operational expenses are \$.42 million.

Revenue and Expense Statement

Housing Management Division Elderly Properties	FY 2007 Actual	FY 2008 Actual	FY 2009 Amended Budget	FY 2010 Adopted Budget
Operating Income				
Tenant Income	2,628,892	2,702,718	2,801,560	2,760,760
Non-Dwelling Rental Income	0	896	0	0
Federal Grant	1,767,279	1,963,873	1,813,700	2,076,410
County Grant	10,000	0	10,000	10,000
Management Fees	6,258	9,804	7,880	7,760
Miscellaneous Income	42,968	54,908	28,800	28,800
TOTAL OPERATING INCOME	\$4,455,397	\$4,732,199	\$4,661,940	\$4,883,730
Operating Expenses				
Personnel Expenses	1,236,643	1,445,861	1,489,750	1,418,950
Operating Expenses - Fees	751,282	864,041	891,560	1,045,880
Operating Expenses - Administrative	129,652	113,715	100,960	101,070
Tenant Services Expenses	43,038	51,958	31,960	78,860
Protective Services Expenses	11,215	16,475	13,900	24,340
Utilities Expenses	1,165,551	1,197,019	1,251,450	1,307,840
Insurance and Tax Expenses	90,223	99,893	56,870	72,210
Maintenance Expenses	589,897	511,736	661,650	592,470
TOTAL OPERATING EXPENSES	\$4,017,501	\$4,300,698	\$4,498,100	\$4,641,620
NET OPERATING INCOME	\$437,896	\$431,501	\$163,840	\$242,110
Non-Operating Income				
Investment Interest Income	(731)	4,734	(3,310)	(3,760)
Transfer Between Funds	627,831	240,870	420,620	181,650
TOTAL NON-OPERATING INCOME	\$627,100	\$245,604	\$417,310	\$177,890
Non-Operating Expenses				
Interest Payment	195,304	190,171	184,700	178,890
Mortgage Insurance	13,819	14,622	14,510	14,040
Principal Payment	79,149	84,281	89,750	95,570
Operating and Replacement Reserves	44,000	48,000	48,000	48,000
Restricted Cash Flow	53,910	210,050	10,430	32,500
Transfer Out Between Funds	0	129,981	0	51,000
TOTAL NON-OPERATING EXPENSES	\$386,182	\$677,105	\$347,390	\$420,000
NET NON-OPERATING ADJUSTMENTS	\$240,918	(\$431,501)	\$69,920	(\$242,110)
NET CASH FLOW	\$678,814	\$0	\$233,760	\$0

Budget Overview—Housing Management— Family Properties

The Adopted FY 2010 budgeted revenues for family properties are \$42.90 million. The total expenses in the FY 2010 Operating Budget

are \$19.56 million. Non-operational expenses are \$22.04 million. Net Cash Surplus will be \$1,310,230.

Revenue and Expense Statement

Housing Management Division Family Properties	FY 2007 Actual	FY 2008 Actual	FY 2009 Amended Budget	FY 2010 Adopted Budget
Operating Income				
Tenant Income	32,844,170	33,224,137	36,774,930	40,001,650
Non-Dwelling Rental Income	494,347	295,815	470,190	547,930
Federal Grant	1,015,766	1,248,456	1,346,450	1,566,890
Management Fees	40,099	59,086	57,490	48,380
Miscellaneous Income	94,185	80,442	91,890	90,390
TOTAL OPERATING INCOME	\$34,488,567	\$34,907,936	\$38,740,950	\$42,255,240
Operating Expenses				
Personnel Expenses	4,478,540	4,987,388	5,399,630	5,747,490
Operating Expenses - Fees	3,018,960	3,370,498	3,667,790	3,711,350
Operating Expenses - Administrative	977,739	1,154,320	1,050,860	1,139,480
Tenant Services Expenses	149,036	169,930	211,870	162,970
Protective Services Expenses	598,394	697,009	646,380	722,440
Utilities Expenses	3,490,260	3,524,432	3,956,260	4,116,640
Insurance and Tax Expenses	684,811	616,440	393,270	463,740
Maintenance Expenses	2,754,202	3,160,498	3,347,140	3,490,950
TOTAL OPERATING EXPENSES	\$16,151,942	\$17,680,515	\$18,673,200	\$19,555,060
NET OPERATING INCOME	\$18,336,625	\$17,227,421	\$20,067,750	\$22,700,180
Non-Operating Income				
Investment Interest Income	203,886	192,695	155,100	(38,890)
Transfer Between Funds	290,975	1,221,217	708,810	685,320
TOTAL NON-OPERATING INCOME	\$494,861	\$1,413,912	\$863,910	\$646,430
Non-Operating Expenses				
Interest Payment	7,990,042	8,489,788	8,562,530	9,773,470
Mortgage Insurance	452,897	481,009	549,400	634,060
Principal Payment	4,937,075	4,810,202	4,483,620	5,082,580
Operating and Replacement Reserves	1,035,301	1,358,068	1,229,940	1,214,060
Restricted Cash Flow	3,080,858	1,784,310	3,825,680	3,612,630
Development Corporation Fees	1,578,827	1,279,312	1,370,100	1,719,580
Transfer Out Between Funds	0	15,638	0	0
TOTAL NON-OPERATING EXPENSES	\$19,075,000	\$18,218,327	\$20,021,270	\$22,036,380
NET NON-OPERATING ADJUSTMENTS	(\$18,580,139)	(\$16,804,415)	(\$19,157,360)	(\$21,389,950)
NET CASH FLOW	(\$243,514)	\$423,006	\$910,390	\$1,310,230

Budget Overview—Housing Management— Scattered Site Properties

The Adopted FY 2010 budgeted revenues for scattered-site properties are \$12.63 million. The total expenses in the FY 2010 Operating Budget

are \$10.51 million. Non-operational expenses are \$1.75 million. Net Cash Surplus will be \$374,490.

Revenue and Expense Statement

Housing Management Division Scattered Site Properties	FY 2007 Actual	FY 2008 Actual	FY 2009 Amended Budget	FY 2010 Adopted Budget
Operating Income				
Tenant Income	7,208,686	9,206,084	9,328,180	9,262,030
Non-Dwelling Rental Income	0	500	0	0
Federal Grant	1,345,776	1,905,755	2,121,800	2,622,660
Miscellaneous Income	4,294	10,997	4,570	0
TOTAL OPERATING INCOME	\$8,558,756	\$11,123,336	\$11,454,550	\$11,884,690
Operating Expenses				
Personnel Expenses	2,621,089	2,995,476	3,171,950	3,088,290
Operating Expenses - Fees	3,425,224	3,829,618	4,329,150	5,388,210
Operating Expenses - Administrative	108,690	263,014	74,580	133,820
Tenant Services Expenses	8,914	1,020	0	17,700
Protective Services Expenses	0	0	0	38,390
Utilities Expenses	113,446	111,945	118,970	105,950
Insurance and Tax Expenses	371,190	409,932	420,740	374,100
Maintenance Expenses	1,369,650	1,447,296	1,203,050	1,364,480
TOTAL OPERATING EXPENSES	\$8,018,203	\$9,058,301	\$9,318,440	\$10,510,940
NET OPERATING INCOME	\$540,553	\$2,065,035	\$2,136,110	\$1,373,750
Non-Operating Income				
Investment Interest Income	(4,287)	122,853	(6,600)	(7,370)
Transfer Between Funds	497,030	558,294	367,870	754,950
TOTAL NON-OPERATING INCOME	\$492,743	\$681,147	\$361,270	\$747,580
Non-Operating Expenses				
Interest Payment	493,040	773,429	757,760	730,020
Mortgage Insurance	27,111	26,381	25,610	24,790
Principal Payment	198,156	274,663	281,420	291,580
Operating and Replacement Reserves	200,433	498,913	483,820	328,770
Restricted Cash Flow	424,748	454,975	197,790	259,980
Development Corporation Fees	60,799	99,816	84,410	71,700
Transfer Out Between Funds	0	0	0	40,000
TOTAL NON-OPERATING EXPENSES	\$1,404,287	\$2,128,177	\$1,830,810	\$1,746,840
NET NON-OPERATING ADJUSTMENTS	(\$911,544)	(\$1,447,030)	(\$1,469,540)	(\$999,260)
NET CASH FLOW	(\$370,991)	\$618,005	\$666,570	\$374,490

Master Lease Properties—Revenue and Expense Statement

	FY 2007	FY 2008	FY 2009	FY 2010
Housing Management Division	Actual	Actual	Amended	Adopted
Master Lease Properties			Budget	Budget
Operating Income				
Tenant Income	637,819	590,535	675,070	659,730
TOTAL OPERATING INCOME	\$637,819	\$590,535	\$675,070	\$659,730
Operating Expenses				
Personnel Expenses	25,114	27,157	29,060	29,690
Operating Expenses - Fees	615,075	628,073	660,150	655,610
Operating Expenses - Administrative	6,565	16,567	0	5,000
Utilities Expenses	840	1,122	1,740	1,130
TOTAL OPERATING EXPENSES	\$647,594	\$672,919	\$690,950	\$691,430
NET OPERATING INCOME	(\$9,775)	(\$82,384)	(\$15,880)	(\$31,700)
Non-Operating Income				
Investment Interest Income	0	0	0	(500)
Transfer Between Funds	16,806	82,384	15,880	35,750
TOTAL NON-OPERATING INCOME	\$16,806	\$82,384	\$15,880	\$35,250
Non-Operating Expenses				
Transfer Out Between Funds	7,031	0	0	3,550
TOTAL NON-OPERATING EXPENSES	\$7,031	\$0	\$0	\$3,550
NET NON-OPERATING ADJUSTMENTS	\$9,775	\$82,384	\$15,880	\$31,700
NET CASH FLOW	\$0	\$0	\$0	\$0

Capital Fund Program—Revenue and Expense Statement

	FY 2007	FY 2008	FY 2009	FY 2010
Housing Management Division	Actual	Actual	Amended	Adopted
Capital Fund Program			Budget	Budget
Operating Income				
Federal Grant	1,089,161	746,596	1,022,510	1,130,570
TOTAL OPERATING INCOME	\$1,089,161	\$746,596	\$1,022,510	\$1,130,570
Operating Expenses				
Personnel Expenses	436,986	365,480	411,040	413,800
Operating Expenses - Administrative	77,628	38,331	100,000	105,000
TOTAL OPERATING EXPENSES	\$514,614	\$403,811	\$511,040	\$518,800
NET OPERATING INCOME	\$574,547	\$342,785	\$511,470	\$611,770
Non-Operating Income				
Transfer Between Funds	0	17,905	0	0
TOTAL NON-OPERATING INCOME	\$0	\$17,905	\$0	\$0
Non-Operating Expenses				
Interest Payment	0	0	311,470	311,770
Operating and Replacement Reserves	92,312	0	0	0
Transfer Out Between Funds	482,235	360,690	200,000	300,000
TOTAL NON-OPERATING EXPENSES	\$574,547	\$360,690	\$511,470	\$611,770
NET NON-OPERATING ADJUSTMENTS	(\$574,547)	(\$342,785)	(\$511,470)	(\$611,770)
NET CASH FLOW	\$0	\$0	\$0	\$0

Housing Resources Division

Mission Statement

The mission of the Housing Resources Division is to provide Housing Choice Voucher (HCV) Program and Public Housing, and counseling assistance to as many families as possible with consistently high customer service. The Division educates, counsels, and supports clients, landlords and the citizens of the County on the program

operations and maintains the highest compliance possible within Federal, State and County statutes and regulations. The Division operates Customer Service Centers in Gaithersburg and Silver Spring to provide "one stop" help to clients, landlords, and the community.

Special points of interest:

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

Description

The HCV and Public Housing Programs are the Federal government's major programs for assisting very low-income families, the elderly and the disabled to afford decent, safe, and sanitary housing in the private market.

The Housing Resources Division is solely responsible for administering the Housing Choice Voucher (HCV) Program and Public Housing occupancy. These functions include maintaining a waiting list of interested families, determining family eligibility, calculating the family's rent share and the Housing Assistance Payment, reviewing the reasonableness of rents, re-

evaluating the family's income on an annual basis, and maintaining electronic and paper files.

The Division staff consists of almost 50 employees who are trained and certified in HCV and Public Housing Program rules and functions. Administrative support staff provide vital help to employees and consumers in handling paperwork flow, maintaining files, scheduling meetings with families and telephone operations. In addition, the Division has a strong group of managers who oversee all staff and quality control program operations.

Program Objectives

- To improve customer service and program operations through better utilization of staff and technology.
- To maintain a High Performer score on Section Eight Management Assessment Program (SEMAP) for the fiscal year ending June 2009.
- To be in full compliance with HUD Housing Choice Voucher and Public Housing regulations.
- To ensure that income reporting of all participants is accurate using the new Enterprise Income Verification (EIV) system.
- To ensure that program rent payments are reasonable.

- To effectively serve as many program-eligible families as possible while operating in a difficult fiscal environment.
- To fully utilize the 2009 HUD funding

allocation.

- To improve communications with clients and landlords through newsletters, open forums and the Internet.

Performance Measurement Results

SEMAP

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

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

- Evaluate whether the housing authority advances fair housing opportunities.

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

In 2004 and 2005, HOC was rated as a high performer by HUD standards. In 2006, HOC scored an 81% in SEMAP and was ranked as a standard performer. In 2007, with the upgrade of the computer systems and improved management of operations, HOC returned to a high performer scoring 93% earning 135 points out of a possible 145. HOC continued as a high performer in 2008, scoring 140 points out of a possible 145 for a final SEMAP score of 97%.

HOC expects to receive a standard performance rating in 2009; however, measures are currently in place to secure a high performance rating for 2010.

SEMAP Score

SEMAP Component	Actual Score FY 2006	Max Score FY 2006	Actual Score FY 2007	Max Score FY 2007	Actual Score FY 2008	Max Score FY 2008	Preliminary Score FY 2009	Max Score FY 2009
Selection from the Waiting List	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Reasonable Rent	20.0	20.0	20.0	20.0	20.0	20.0	0.0	20.0
Adjusted Income Determination	20.0	20.0	20.0	20.0	15.0	20.0	0.0	20.0
Utility Allowance Schedule	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
HQS Quality Control Inspection	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
HQS Enforcement	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Expanding Housing Opportunities	0.0	5.0	0.0	5.0	5.0	5.0	5.0	5.0
Fair Market Rent "FMR" Limit and Payment Standard (PS)	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Annual Re-examination	5.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Correct Tenant Rent Calculations	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Pre-Contract Housing Quality Standards (HQS) Inspections	0.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Annual HQS Inspections	0.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Lease-Up	15.0	20.0	15.0	20.0	15.0	20.0	20.0	20.0
Family Self-Sufficiency (FSS) Enrollment with Escrow Accounts	8.0	10.0	5.0	10.0	10.0	10.0	10.0	10.0
Program Subtotal	113.0	145.0	130.0	145.0	135.0	145.0	105.0	145.0
Deconcentration Bonus *	5.0		5.0		5.0		5.0	
Overall	118.0	145.0	135.0	145.0	140.0	145.0	110.0	145.0

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

Budget Overview—Rental Assistance Division

Total projected expenses in the FY 2010 Adopted Budget for the Rental Assistance Division not related to HAP are \$5.52 million. Personnel costs comprise 64.4% of the budget. Other expenses account for the

remaining 35.6% of the budget. **Please note that the FY 2009 Amended Budget and the FY 2010 Adopted Budget both reflect changes as a result of the Agency re-organization.**

Revenue and Expense Statement

Housing Resources Division	FY 2007 Actual	FY 2008 Actual	FY 2009 Amended Budget	FY 2010 Adopted Budget
Operating Income				
Non-Dwelling Rental Income	17,237	16,606	0	0
Federal Grant	68,862,857	70,723,426	66,891,180	68,584,840
County Grant	0	0	243,070	333,960
Miscellaneous Income	730	(359)	0	0
TOTAL OPERATING INCOME	\$68,880,824	\$70,739,673	\$67,134,250	\$68,918,800
Operating Expenses				
Personnel Expenses	3,101,500	3,454,938	3,806,900	3,553,000
Operating Expenses - Fees	1,828,959	1,950,773	1,785,810	1,740,590
Operating Expenses - Administrative	398,482	373,693	264,160	146,990
Protective Services	0	0	0	2,000
Tenant Services Expenses	0	3,513	6,500	10,000
Utilities Expenses	0	0	61,770	27,970
Maintenance Expenses	7,380	10,044	15,880	35,780
Housing Assistance Payments (HAP)	60,310,407	61,813,393	63,180,310	63,180,310
TOTAL OPERATING EXPENSES	\$65,646,728	\$67,606,354	\$69,121,330	\$68,696,640
NET OPERATING INCOME	\$3,234,096	\$3,133,319	(\$1,987,080)	\$222,160
Non-Operating Income				
Investment Interest Income	0	1,746	0	0
Transfer Between Funds	577,149	894,611	654,730	779,580
TOTAL NON-OPERATING INCOME	\$577,149	\$896,357	\$654,730	\$779,580
Non-Operating Expenses				
Operating and Replacement Reserves	3,885,478	3,631,910	0	0
Transfer Out Between Funds	0	765,803	57,840	101,620
TOTAL NON-OPERATING EXPENSES	\$3,885,478	\$4,397,713	\$57,840	\$101,620
NET NON-OPERATING ADJUSTMENTS	(\$3,308,329)	(\$3,501,356)	\$596,890	\$677,960
NET CASH FLOW	(\$74,233)	(\$368,037)	(\$1,390,190)	\$900,120

Mortgage Finance Division

Mission Statement

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

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

Special points of interest:

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

Description

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

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

Program Objectives

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

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

Multi-Family Programs

The Multi-Family Underwriting and Loan Origination section is responsible for two to four bond issues each year. The proceeds from these bond issues fund mortgages for multi-family rental developments for HOC and its affiliates as well as for private and non-profit developers. The Multi-Family Underwriting section also administers the FHA Risk Sharing Program, a co-insurance program with the Federal Housing Administration.

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

Multi-Family Underwriting and Loan Origination

- Underwrite and prepare multi-family developments for bond financing by providing timely reviews and thorough evaluation of loan risk.
- Administers the FHA Risk Sharing Program that provides credit enhancement to worthy developments while minimizing risk to the Commission and FHA.
- Negotiate the refinance and restructuring of loans that may be refinanced at market rate and eliminate the affordability component for each property.

- Evaluate HOC's bond financed properties and seek opportunities to lower borrowing costs by restructuring the financing.
- Identify additional sources of equity capital for affordable housing.

Portfolio Management

- Manage and oversee the Commission's Multi-Family loan portfolio, which consists of over 60 multi-family loans, to identify issues and opportunities related to the furtherance of the Commission's goals.
- Review the multi-family 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 risk refinance and conversion to market rate properties that could eliminate the affordability component.
- Keep a close pulse on the rental market and homeownership trends to identify conditions that could adversely affect the portfolio.

Single Family Programs

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

- Completing one or two bond issues per year, which generate funds to make approximately 150 first mortgages to first time homebuyers;
- Overseeing the servicing of the active loan portfolio of approximately 1,400 first mortgages by twenty-one servicers and

approximately 100 County closing cost assistance loans;

- Operating the HOC Homeownership Program (HOC/HOP) which prepares HOC residents for homeownership by providing direct counseling and homebuyer education classes;
- Managing the lending process for the Housing Choice Voucher Homeowner participants.
- The Single Family section also administers various programs that provide closing cost assistance.

Revolving County Closing Cost Assistance Program

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

HOC Purchase Assistance Programs

- **2008 ABCD Single Family Bond Issue**

The 2008 ABCD Single Family Bond Issue generated \$206,661 of new purchase assistance within the Mortgage Purchase Program (MPP) when it closed on June 26, 2008.

- **City of Gaithersburg Closing Cost Assistance**

The City of Gaithersburg contracted with HOC in August 2007 to administer its closing cost assistance program for displaced residents from certain rental developments in the City. Displaced residents have until November of 2010 to use this assistance to purchase their first home in Montgomery County.

- **Warehousing**

In December 2003, the Commission approved the use of warehousing for the Mortgage Purchase Program (MPP). This

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

HOC Homeownership Programs

- Annually, assist approximately 50 families that are currently residing in HOC assisted housing to purchase their first home (368 families since the inception of the program).
- Provide training, budgeting, homes to purchase, and educational opportunities to residents who are preparing to become homeowners.
- Administer Federal and local programs that provide purchase opportunities for HOC residents.

Performance Measurement Results

Multi-Family Bond Issuance

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

to impose more restrictive affordability requirements at median income levels that exceed any Federal, State or Local Government standards.

Traditionally, the Commission supports developments that provide a mix of both market rate and affordable housing units to avoid creating pockets of poverty and stigma for a particular community. The result is that a low- or moderate-income household is often indistinguishable from a market rate household.

Since 2006, 2,422 units were financed or refinanced in order to achieve a public purpose of 1,002 affordable units. Stated differently, 41% of the units financed since 2006 provided some level of public purpose.

Multi-Family Bond Issuance					
	FY 2006	FY 2007	FY 2008 *	FY 2009	FY 2010 Projection
Number of Loans	4	3	6	2	2
Total Units	965	329	847	301	364
Total Affordable Units	513	180	369	181	364
% of Affordable Units	53%	79%	44%	60%	100%
Total Bond Issuance	\$88,220,000	\$63,005,000	\$50,965,300	\$39,980,000	\$25,000,000
% of Area Median Income Served	40%-60%	30%-60%	30%-60%	30%-60%	30-60%

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

Activities in the Mortgage Purchase Program

The following table illustrates the activities in the Mortgage Purchase Program for the past four fiscal years. The MPP is rebuilding after

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

Mortgage Purchase Program					
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010 Projection
Number of Bond Issues	1	1	2	0	2
Total Available Bond Proceeds (\$ millions)	\$60.0	\$35.0	\$71.1	\$0	\$35
Loans Made	147	278	228	120	148
Average Loan	\$175,040	\$206,748	\$225,554	\$234,154	\$235,000
Average Income	\$48,402	\$52,192	\$56,035	\$65,182	N/A
% of Median	53.6%	55.2%	56.6%	65.8%	N/A
Median*	\$90,300	\$94,500	\$99,000	\$99,000	N/A
Number of Closing Cost Loans	12	21	15	9	25
Total Closing Cost Provided	\$93,928	\$155,504	\$121,267	\$62,410	\$187,500

* Median income of Washington DC MSA as published by HUD

Budget Overview—Mortgage Finance

The total Adopted FY 2010 budgeted revenues for the Mortgage Finance Division are \$4.41 million. Total expenses in the FY 2010 Budget are \$2.95 million. Personnel costs comprise 63.4% of the budget. Operating expenses and

other miscellaneous expenses account for 36.6% of the budget, while non-operating expenses account for the remaining 1.0%.

Revenue and Expense Statement

Mortgage Finance Division	FY 2007 Actual	FY 2008 Actual	FY 2009 Amended Budget	FY 2010 Adopted Budget
Operating Income				
County Grant	144,080	160,050	125,920	141,470
Management Fees	2,372,335	1,547,305	1,976,920	1,551,390
Miscellaneous Income	12,276	7,500	0	0
TOTAL OPERATING INCOME	\$2,528,691	\$1,714,855	\$2,102,840	\$1,692,860
Operating Expenses				
Personnel Expenses	1,593,870	1,651,955	1,830,380	1,865,590
Operating Expenses - Fees	731,760	772,790	852,130	780,610
Operating Expenses - Administrative	156,830	163,852	269,090	254,910
Tenant Services Expenses	95	31	0	0
Maintenance Expenses	12,780	4,724	17,820	15,500
TOTAL OPERATING EXPENSES	\$2,495,335	\$2,593,352	\$2,969,420	\$2,916,610
NET OPERATING INCOME	\$33,356	(\$878,497)	(\$866,580)	(\$1,223,750)
Non-Operating Income				
Transfer Between Funds	3,036,376	2,523,425	2,808,720	2,713,150
TOTAL NON-OPERATING INCOME	\$3,036,376	\$2,523,425	\$2,808,720	\$2,713,150
Non-Operating Expenses				
Mortgage Insurance	136,408	51,434	51,220	28,350
Restricted Cash Flow	42,304	88,289	0	0
Transfer Out Between Funds	506,860	0	1,320	0
TOTAL NON-OPERATING EXPENSES	\$685,572	\$139,723	\$52,540	\$28,350
NET NON-OPERATING ADJUSTMENTS	\$2,350,804	\$2,383,702	\$2,756,180	\$2,684,800
NET CASH FLOW	\$2,384,160	\$1,505,205	\$1,889,600	\$1,461,050

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Real Estate Division

Adopted Budget
June 3, 2009

Mission Statement

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

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

Special points of interest:

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

Description

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

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

The Division also develops new multi-family rental housing, typically for residents with a wide range of incomes. These developments are part of HOC's Opportunity Housing portfolio and serve low, moderate, and market-rate households. The Division recently completed a mixed-income development, MetroPointe Apartments, located on the site of the Wheaton Metro station and Kiss and Ride parking lot, and the acquisition and rehabilitation of Forest Oak Towers.

HOC was selected by Montgomery County to develop 15 new townhouses on land owned by the County on Edson Lane in Rockville with nine townhouses to be priced at workforce housing levels and six at MPDU levels.

7423 Aspen Court, a vacant 16 unit apartment building in Takoma Park, is one of two small apartment buildings in a cul de sac that HOC acquired in October 2007 with County funding. HOC acquired 717 Sligo Creek Parkway, a 12-unit property adjacent to 7423 Aspen Court in December 2008. HOC will rehabilitate the buildings in FY 2010, including the third property if acquired.

Forty nine condominiums at The Village at King Farm, Montgomery County's first project under its Work Force Housing Program, are now being offered for sale with priority to purchase given to public employees. Interest in the program has been very strong, and HOC expects the first sales to be complete during 2009.

Real Estate is proceeding with final design development for the 12-unit Hampden Lane Apartments, which will serve formerly homeless

persons, and is actively seeking project financing from the State so that construction can begin in early FY 2010. Real Estate is also finalizing design development for a single family home to house developmentally disabled adults in partnership with Jubilee Association of Maryland, with construction expected to start in late FY 2009.

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. These sites raise complex issues. The rehabilitation is often significant, as a number of the buildings have not been improved for many years. Finding the funds for the work generally requires refinancing while at the same time rent increases must be limited in order to allow existing lower income residents to remain in their homes. In FY 2009, Division staff

completed the comprehensive rehabilitation of Seneca Ridge Apartments and has begun renovations at Pooks Hill High-Rise which is expected to be completed in FY 2010. Staff is prepared to start renovations of Magruder's Discovery when HOC is able to issue tax-exempt bonds at a favorable rate. Paddington Square Apartments is expected to start renovations in late FY 2009, with construction phased in over a three-year period as committed funds become available from Montgomery County. Real Estate is working on a refinancing and rehabilitation plan for approximately 200 scattered site properties within the Montgomery Housing Limited Partnership (MHLP) syndications. Finally, staff is reviewing options for the substantial renovation of Tanglewood Apartments and the adjacent Sligo Hills Apartments.

Program Objectives

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

- Preserve and increase the supply of affordable housing, in partnership with Montgomery County and non-profit organizations.
- Undertake the construction of additional affordable rental units in Opportunity Housing developments.
- Work with other HOC divisions and outside agencies to support increases in Low Income Housing Tax Credits, the private activity bond cap, and other affordable housing resources to increase capital available for development projects.
- Pursue opportunities for site acquisition and new development, as expressed in the Agency's vision statement.
- Assist in the development of Personal Living Quarters.
- Assist in the rehabilitation of HOC's existing Opportunity Housing portfolio.
- Expand affordable rental options throughout the County by acquiring units under the new Housing Choice Voucher MPDU Program.
- Expand the client base of Housing Opportunities & Concepts (HO&C) to increase the Agency's financial self-sufficiency.

Budget Overview—Real Estate Division

The total Adopted FY 2010 budgeted revenues for the Real Estate Division are \$1.67 million. Total expenses in the FY 2010 Budget are \$1.06 million. Personnel costs comprise

94.8% of the total operating expenses. Operating and other miscellaneous expenses account for the balance of the budget.

Revenue and Expense Statement

Real Estate Division	FY 2007 Actual	FY 2008 Actual	FY 2009 Amended Budget	FY 2010 Adopted Budget
Operating Income				
County Grant	162,951	175,783	179,900	179,900
Management Fees	379,385	342,965	480,000	645,330
Other Service Income	142,344	463,790	648,070	0
TOTAL OPERATING INCOME	\$684,680	\$982,538	\$1,307,970	\$825,230
Operating Expenses				
Personnel Expenses	1,535,389	1,548,520	1,633,330	1,002,300
Operating Expenses - Fees	21,418	22,050	68,400	23,880
Operating Expenses - Administrative	61,307	114,617	94,880	31,390
TOTAL OPERATING EXPENSES	\$1,618,114	\$1,685,187	\$1,796,610	\$1,057,570
NET OPERATING INCOME	(\$933,434)	(\$702,649)	(\$488,640)	(\$232,340)
Non-Operating Income				
Transfer Between Funds	1,637,101	1,017,197	927,760	846,280
TOTAL NON-OPERATING INCOME	\$1,637,101	\$1,017,197	\$927,760	\$846,280
Non-Operating Expenses				
Operating Reserve Contribution	359,976	0	0	0
Transfer Out Between Funds	4,373	0	0	0
TOTAL NON-OPERATING EXPENSES	\$364,349	\$0	\$0	\$0
NET NON-OPERATING ADJUSTMENTS	\$1,272,752	\$1,017,197	\$927,760	\$846,280
NET CASH FLOW	\$339,318	\$314,548	\$439,120	\$613,940

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Resident Services Division

Mission Statement

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

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

Special points of interest:

Description

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

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

Other services include:

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

homeless/disabled single adults and families.

- Administration of County funded Housing Assistance Program to eliminate homelessness.
- Academic enrichment, employment, and recreation for youth.
- Housing counseling and housing location services for hard-to-place homeless households referred by the County.
- Services to residents of Preservation Properties such as Stewartown, Forest Oak Towers, Georgian Court, The Barclay, Shady Grove Apartments and The Willows.
- Volunteer Services.
- Housing Opportunities Community Partners, Inc. and the Resident Advisory Board.
- Parent Resource Centers.
- Assistance to HOC owned third party managed programs.

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

Program Objectives

Core Services to Families, Elderly, and Disabled

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

determined choices that promote responsibility and community inclusion.

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

Self-Sufficiency Programs

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

Supportive Housing Programs for Homeless Households

- Effectively operate programs designed to prevent homelessness including (1) the HUD-funded Supportive Housing Program, (2) the Shelter Plus Care and New Neighbor Programs, (3) the County-funded Rent Allowance Program providing housing for a 12-24 month period and (4) the County funded Rent Supplemental Program which provides a flat subsidy for eligible

households in multi-family buildings.

- Provide ongoing case management and supportive resources including furnishings, transportation, medication assistance, child care and other critical needs to allow program participants to stabilize, live independently, and move toward self-sufficiency.
- Ensure therapeutic services are made available to program participants.
- Continue collaboration with the Department of Health & Human Services 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.

Services to Children and Youth

- Enroll approximately 250 HOC youth in summer day camps and other recreational activities.
- Assist youth with college scholarship assistance, SAT preparation, summer jobs and educational programs for teens, and year-round recreational activities.
- Enroll at least 200-250 youth in after-school tutorial or homework assistance programs.
- Establish and maintain partnerships so as to involve youth in a variety of constructive activities including, but not limited to scouting, bicycle clubs, nutrition, exercise programs and ensuring

acquisition and distribution of school supplies.

Volunteer Program

- Recruit and place a minimum of 350 volunteers from the general community, corporate, university, and resident sectors to supplement program staff and service Agency-wide.
- Enhance resident service initiatives through special projects and donations.
- Solicit a minimum of \$65,000 of in-kind donations per year through Community Partners, Inc.

Parent Resource Centers (PRC)

- Operate four Parent Resource Centers located in Rockville, Silver Spring, Aspen Hill, and Gaithersburg to (1) enhance parenting skills of participating families. (2) ensure positive development of children ages 0-5 in preparation for school and (3) identify children with special needs who may experience school problems upon enrollment.

Performance Measurement Results

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

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

Family Self-Sufficiency Program (FSS)								
Measurement	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Mandated Participants	441	441	441	441	441	441	441	441
Enrolled Participants	390	421	417	415	407	397	400	395
In Process of Enrolling	120	121	96	73	76	79	80	80
Graduates	33	38	34	57	52	60	40	45
% Graduating	11	9	8	14	13	15	10	11
% Employed at Graduation	100	100	100	100	100	100	100	100
% of Graduates who completed College, Tech, GED or other training while in FSS	30	83	82	84	95	88	85	96
Participants who Withdrew, were Terminated, or Unsuccessful in FSS	56	39	51	54	50	51	50	52
Homebuyers	9	7	6	11	14	11	6	4
% of Participants Employed	80	80	82	78	75	68	70	74
% of Participants with Escrow Accounts	50	67	56	52	58	48	50	58
Other Family Members currently Enrolled	38	35	33	26	23	27	25	31

Employment Initiative Program (EIP)

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

Family Resource Centers (FRC)

Measurement	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Units in target neighborhood	220	220	220	285	285
Afterschool Programs, Transportation, Tutoring, Recreational Activities, Parent-Child Education Program*	1,450	1,300	1,325	1,450	1,450
Employment Training, Computer Skills, Reading Initiatives, Education, Transportation*	350	350	350	375	400
Health Education, Parenting Support, Sewing, Girl Scouts, Cultural and Other (Leadership Skills, etc.) *	650	600	600	650	650

* May be individuals participating in more than one activity.

Parent Resource Centers (PRC)

Measurement	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Families Served	250	250	250	300	300
Children Served	350	350	350	400	425

Housing Programs for Homeless / Disabled Single Adults and Families

	Shelter Plus Care	New Neighbors I and II	State RAP	Rent Supplemental	Supportive Housing
Maintain enrollment of eligible participants	42	17	25	350	158
% of residents who remain stable & retain housing for one year	95%	95%	95%	100%	95%
Provide case management, referrals for therapeutic services, and other support resources	Yes	Yes	Yes	No	Yes

Housing Counseling, Service Coordination, and Housing Search and Placement

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

Budget Overview—Resident Services Division

The total Adopted FY 2010 Budget for this division is \$12.62 million, a decrease of 0.1% from the FY 2009 Amended Budget of \$12.79 million. Personnel costs comprise 42.0% of the operating budget. Although Resident Services projects a cash deficit, this deficit

will be absorbed by revenues from General Fund. **Please note that the FY 2009 Amended Budget and the FY 2010 Adopted Budget both reflect changes as a result of the Agency re-organization.**

Revenue and Expense Statement

Resident Services Division	FY 2007 Actual	FY 2008 Actual	FY 2009 Amended Budget	FY 2010 Adopted Budget
Operating Income				
Tenant Income	497,094	557,715	640,920	677,160
Non-Dwelling Rental Income	73,373	50,302	27,480	30,500
Federal Grant	2,952,156	3,170,600	3,671,690	3,723,610
State Grant	101,709	91,916	103,080	107,680
County Grant	5,168,802	5,489,881	8,173,600	7,786,440
Miscellaneous Income	3,181	81,237	0	0
TOTAL OPERATING INCOME	\$8,796,315	\$9,441,651	\$12,616,770	\$12,325,390
Operating Expenses				
Personnel Expenses	4,103,080	4,748,880	5,102,840	5,289,880
Operating Expenses - Fees	705,915	850,636	655,570	766,950
Operating Expenses - Administrative	240,695	235,671	213,740	203,050
Tenant Services Expenses	2,493,560	2,531,624	4,740,010	4,326,830
Protective Services Expenses	0	402	0	1,200
Utilities Expenses	248,278	249,502	278,780	338,270
Insurance and Tax Expenses	8,400	6,610	3,010	3,480
Maintenance Expenses	28,405	21,682	32,140	18,120
Housing Assistance Payments (HAP)	694,778	690,901	866,230	754,380
TOTAL OPERATING EXPENSES	\$8,523,111	\$9,335,908	\$11,892,320	\$11,702,160
NET OPERATING INCOME	\$273,204	\$105,743	\$724,450	\$623,230
Non-Operating Income				
Investment Interest Income	1,778	4,084	0	0
Transfer Between Funds	3,149,528	3,255,189	150,820	210,800
TOTAL NON-OPERATING INCOME	\$3,151,306	\$3,259,273	\$150,820	\$210,800
Non-Operating Expenses				
Operating and Replacement Reserves	19,457	3,061	30,060	21,260
Transfer Out Between Funds	3,390,331	3,407,610	869,050	899,340
TOTAL NON-OPERATING EXPENSES	\$3,409,788	\$3,410,671	\$899,110	\$920,600
NET NON-OPERATING ADJUSTMENTS	(\$258,482)	(\$151,398)	(\$748,290)	(\$709,800)
NET CASH FLOW	\$14,722	(\$45,655)	(\$23,840)	(\$86,570)

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Capital Budget

Adopted Budget
June 3, 2009

Capital Budget Description

The Capital Budget has two parts: the Capital Improvement Budget and the Capital Development Budget. Because of the long-term nature of these projects, capital budgets are

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

Special points of interest:

The FY 2010 Capital Budget is \$68.7 million.

Impact of Capital Budget on Operating Budget

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

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

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

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

Capital Budget Summary Overview

The total Adopted FY 2010 Capital Budget is \$68.7 million. The FY 2010 Capital Budget includes funds to maintain current Information Technology needs, as well as, improvements to the Kensington Office. Funds have also been included for capital improvements to HOC's Public Housing properties as well as the Opportunity Housing and Development Corporation properties. The total Capital Improvement Budget will cost \$10.2 million.

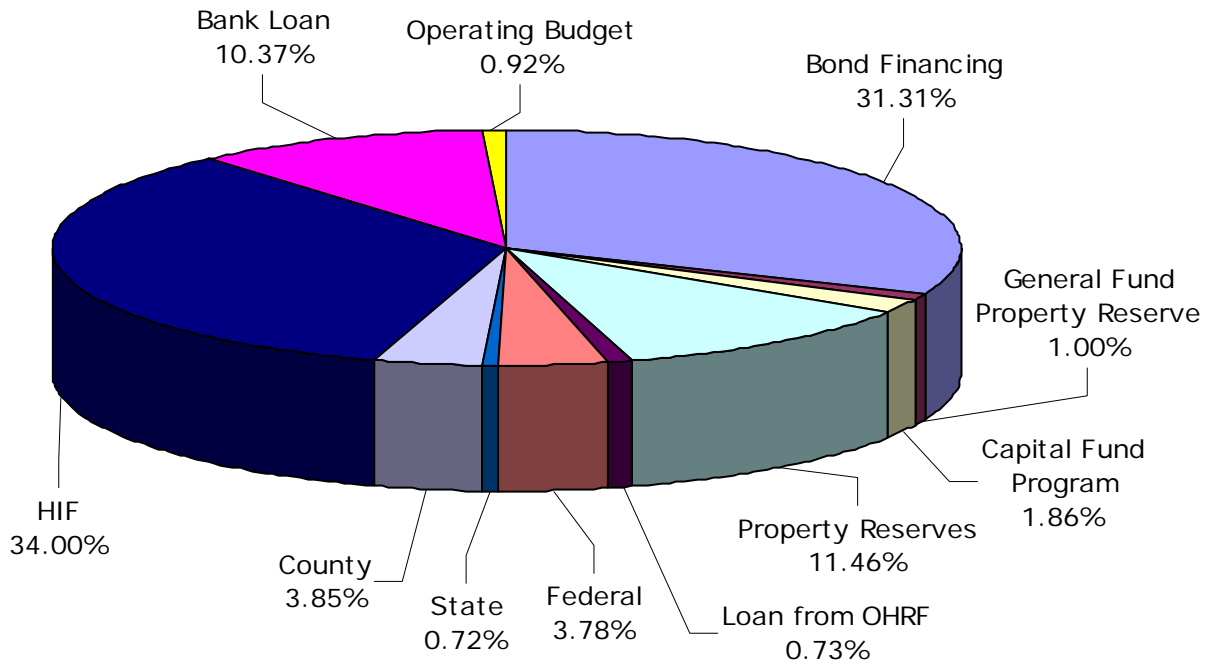
The Capital Development Budget includes funds for renovations of Pooks Hill High-Rise, the oldest high-rise building in Montgomery County, the acquisition of Aspen Court, an

apartment building located in Takoma Park, the acquisition of 49 rental units in King Farm Village, HOC's first workforce housing project, which will be converted to for-sale condominiums, the acquisition of a site for a Jubilee home to serve low income residents with developmental disabilities, and renovations of Paddington Square Apartments and Magruder's Discovery, both of which are owned and managed by HOC. The total development budget will cost \$58.5 million.

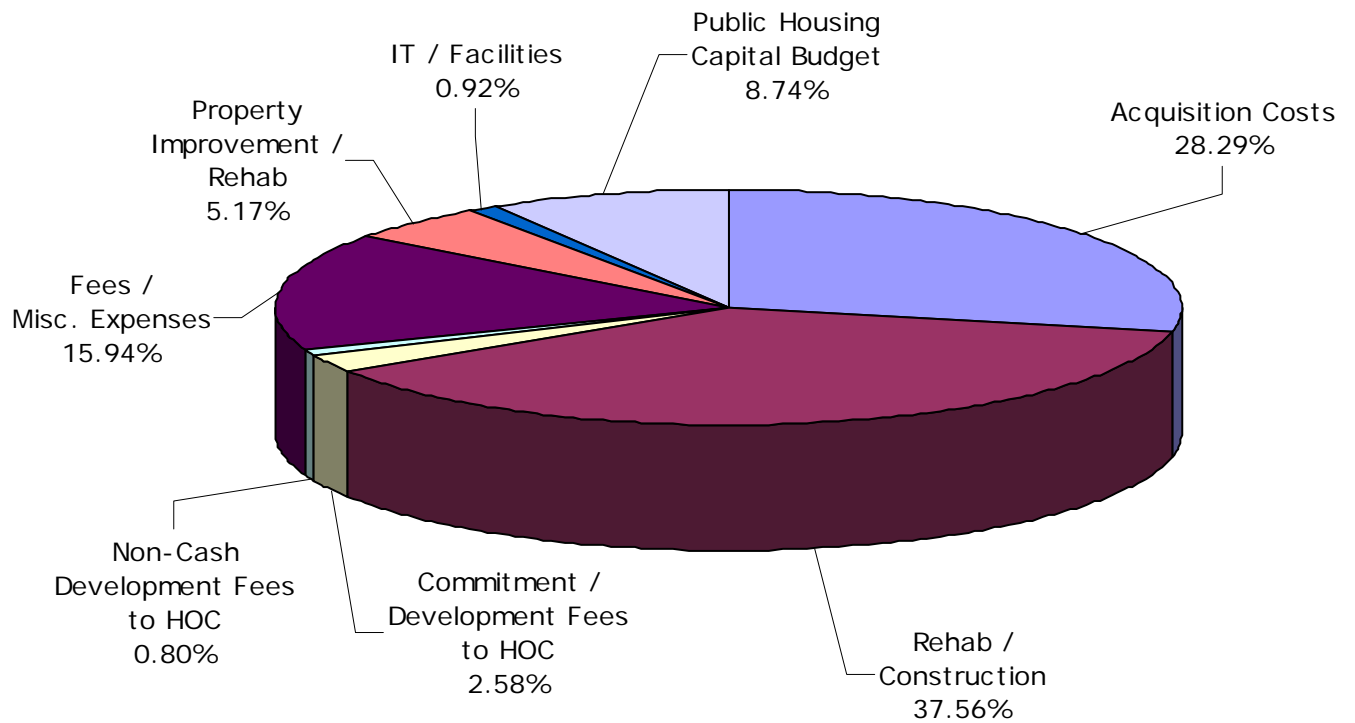
Capital Improvement Budget—Summary

Capital Budget Summary	FY 2010 Adopted Budget
Capital Improvements	
Kensington Office	189,500
Information Technology	440,850
Opportunity Housing Properties	3,554,520
Public Housing Properties	6,006,520
SUBTOTAL	\$10,191,390
Capital Development Projects	
Pooks Hill High-Rise	12,714,830
Aspen Court	8,307,000
King Farm Village	13,525,000
Jubilee Home	1,027,000
Paddington Square Apartments	9,627,400
Magruder's Discovery	13,336,240
SUBTOTAL	\$58,537,470
TOTAL	\$68,728,860

Source of Funds



Use of Funds



Capital Improvement Budget—Facilities and IT Department

Facilities and Information Technology (IT) Improvements

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

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

Capital Improvement Budgets

FY 2010

Facilities & IT Department

Adopted Budget

	Total Expenses	Revenue Sources	
		Operating Budget	Roll-Over FY09
Facilities			
Equipment & Facilities	189,500	189,500	
Subtotal - Facilities	\$189,500	\$189,500	\$0
Information Technology (IT)			
Computer Software	220,000	220,000	
Equipment	220,850	220,850	
Subtotal - IT Improvements	\$440,850	\$440,850	\$0
TOTAL	\$630,350	\$630,350	\$0

Capital Improvement Budget—Facilities and IT Department

Facilities and Information Technology (IT) Improvements

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

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

Capital Improvement Budgets

FY 2010

Facilities & IT Department

Adopted Budget

	Total Expenses	Revenue Sources	
		Operating Budget	Roll-Over FY09
Facilities			
Equipment & Facilities	189,500	189,500	
Subtotal - Facilities	\$189,500	\$189,500	\$0
Information Technology (IT)			
Computer Software	220,000	220,000	
Equipment	220,850	220,850	
Subtotal - IT Improvements	\$440,850	\$440,850	\$0
TOTAL	\$630,350	\$630,350	\$0

Capital Improvement Budget—Asset Management

Opportunity Housing and Development Corporation Property Improvements

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

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

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

Capital Improvements Budget Opportunity Housing & Development Corporations

FY 2010
Adopted Budget

	Revenue Sources				
	Total Expenses	Property Reserves	Gen. Fund Prop Res.	FY 2010 RfR	FY 2009 Roll-Over
Alexander House	313,340	264,680		48,660	
The Barclay	28,500	28,500			
Brookside Glen (The Glen)	61,540	61,540			
Chelsea Towers	8,230	8,230			
Chevy Chase Lake	56,390	56,390			
Diamond Square	195,100	195,100			
Fairfax Court	29,500	29,500			
Greenhills	333,370	205,810	22,180	105,380	
Holiday Park	16,600		5,210	11,390	
Magruder's Discovery	12,150			12,150	
McHome	74,500		58,110	16,390	
McKendree	47,100		35,900	11,200	
Metropolitan, The	125,650	125,650			
Montgomery Arms	38,220	38,220			
MHLP I	90,600		77,810	12,790	
MHLP III	95,700	59,170	8,180	28,350	
MHLP IV	102,600	31,020	37,920	33,660	
MHLP V	47,500	2,970	27,130	17,400	
MHLP VI	49,900	28,470	11,770	9,660	
MPDU 2004	12,200	12,200			
MPDU I (64)	132,100	69,380	35,180	27,540	
TPM - MPDU II (59)	106,700	15,990	73,010	17,700	
The Oaks at Four Corners	196,660	196,660			
Paddington Square	125,920	125,920			
Paint Branch	24,700		16,300	8,400	
Pooks Hill Mid-Rise	109,600	109,600			
TPM - Pomander Court	139,900		132,700	7,200	
Sligo Hills/ MPDU III	89,700	26,200	54,310	9,190	
State Rental Combined	207,300	207,300			
Strathmore Court	173,480	173,480			
Tanglewood	34,700	5,420		29,280	
TPM-Timberlawn	119,900		93,150	26,750	
Westwood Tower	355,170	355,170			
TOTAL	\$3,554,520	\$2,432,570	\$688,860	\$433,090	\$0

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 2010, the Commission expects to receive a grant for just over \$2.4 million for Public Housing properties. These funds are critical as the operational requirements of Public Housing do not fund any reserves for future capital needs.

The Capital Improvements Budget for Public Housing reflects the awarded Capital Fund Program Grant. HUD determines how these

funds can be used when awarding these grants. Awards are based on the comprehensive plan submitted by staff.

For FY 2010, Montgomery County is providing \$1.25 million in funds for Public Housing improvements and \$1.00 million for the installation of a sprinkler system at Holly Hall via the Capital Improvement Program.

In addition, HOC was awarded \$3.1 million in the Federal Economic Stimulus package. HOC has reviewed the specific restrictions on the use of these funds and plans to utilize \$2.6 million during FY 2010.

Capital Improvement Budgets

FY 2010

Public Housing Properties

Adopted Budget

	Total Expenses	Revenue Sources			County Funds
		Capital Fund Program (Yr. 17)	Capital Fund Program (Yr. 18)	Capital Fund Program Stimulus	
Specific Property Improvements					
Elizabeth House	337,500	7,500	180,000	100,000	50,000
Holly Hall	1,337,260	39,000	48,260	200,000	1,050,000
Arcola Towers	210,000		60,000	100,000	50,000
Waverly House	293,700	3,700	140,000	100,000	50,000
Parkway Woods	120,000		45,000	50,000	25,000
Towne Centre Place	215,000		65,000	100,000	50,000
Sandy Spring Meadow	250,500		50,500	100,000	100,000
Emory Grove	285,000		10,000	200,000	75,000
Tobytown	163,700	33,700	30,000	50,000	50,000
Seneca Ridge (Middlebrook Square)	152,000		52,000	100,000	
Scattered Sites Central	529,900	1,900	103,000	300,000	125,000
Scattered Sites East	527,990		102,990	300,000	125,000
Scattered Sites Gaithersburg	527,990		102,990	300,000	125,000
Scattered Sites North	527,990		102,990	300,000	125,000
Scattered Sites West	527,990		102,990	300,000	125,000

TOTAL	\$6,006,520	\$85,800	\$1,195,720	\$2,600,000	\$2,125,000
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Capital Development Budget

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

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

Capital Development Projects

Pooks Hill High-Rise Apartments Renovation

Pooks Hill High-Rise Apartments is the oldest high rise building in Montgomery County. Located just inside the Washington beltway at Wisconsin Avenue, the project's 189 units are in need of renovation. The goal of the plan is to update the development's systems and finishes while keeping the rents at affordable levels. Upgrades to the electrical and plumbing systems, new HVAC systems and windows, and refurbished kitchens and

bathrooms are planned. Preliminary work began in late 2006 and the rehabilitation is expected to be completed in 2010.

Post-rehab market rents will be increased; however, the additional rental revenue will be offset by increasing public purpose by 10%. These improvements, including the sub-metering of electricity, will generate savings in future operational costs for both utilities and general repairs and maintenance. (See attached analysis for detailed impact on operations).

FY 2010

Pooks Hill High-Rise

Adopted Budget

	Revenue Sources	
Total Expenses	Bond Financing	HOC Project Cash
\$12,714,830	\$8,187,650	\$4,527,180

Pooks Hill High-Rise Apartments

Impact to Operations	Current	Post Rehab	Impact
Operating Income ⁽¹⁾	2,382,536	2,529,647	147,111
Operating Expense ⁽²⁾	1,080,781	988,659	(92,122)
Net Operating Income	\$1,301,755	\$1,540,988	\$239,233
Non-Operating Expense ⁽³⁾	583,405	1,162,813	579,408
Cash Flow	\$718,350	\$378,175	(\$340,175)

(1) Increase in post-rehab market rents, adjusted by additional 10% public purpose.

(2) Savings in operations mostly attributable to sub-metering electricity (paid by HOC pre-rehab).

(3) Increase in Debt Service partially offset by decrease in annual Replacement Reserves Contribution.

Aspen Court

Aspen Court is a cul-de-sac in Takoma Park consisting of three apartment buildings, two of which are owned by HOC. The first building, 7423-27 Aspen Court, is a 16-unit vacant apartment building acquired by HOC via Right of First Refusal in October 2007. This non-operating property was built in 1954 and requires extensive capital improvements. An architect retained by staff has created a scope to renovate the vacant building's 13 two-bedroom and three one-bedroom apartments.

The second property is 717 Sligo Creek Parkway, which was acquired by HOC in an off-market transaction in December 2008. This occupied building, constructed in 1967, is a 12-unit failed condominium which had been partially upgraded by the previous owner. Although the property does not appear to require as extensive a renovation as 7423-27 Aspen Court, the same architect will create a scope to correct the previous owner's improvements to the property's 11 two-bedroom and one three bedroom apartments.

The third building, 7411 Aspen Court, is currently under contract for purchase by HOC and is expected to close prior to the end of August 2009. Sourced via off-market negotiations, this occupied 11-unit building consists of two one-bedroom, seven two-

bedroom and one three-bedroom apartments. This property is in similar condition to 717 Sligo Creek Parkway, and should the property be acquired, the same architect will create a scope of work to bring the property up to HOC standards

Once the renovations are complete, apartments at Aspen Court are expected to be rented to a mix of market-rate and low-income qualifying families earning 60% of Area Median Income or below as required by the County Department of Housing and Community Affairs (DHCA). Staff intends to apply for Partnership Rental Housing Funds (PHRP) from the State of Maryland which will reduce the level of investment by DHCA but require that affordable units be rented to families earning 50% of State Median Income. DHCA has requested that half of the 39 units be affordable, with the remainder at market rates.

Although not quantified at this time, renovations are expected to reduce both utility and maintenance costs as compared to historical operations. The operating budget will be developed once the rent structure has been established. In FY 2009, HOC earned \$140,000 of the total development fee of \$390,000 anticipated for the three properties.

FY 2010

Aspen Court

Adopted Budget

	Revenue Sources
Total Expenses	County Housing Initiative Fund
\$8,307,000	\$8,307,000

King Farm Village

HOC acquired King Farm Village Center Apartments on March 17, 2008 with the intent of converting the units into a for-sale condominium regime as a demonstration project under Montgomery County's new Workforce Housing program. Renamed 'The Village at King Farm', the units are being upgraded to condominium-level finishes. Marketing began in late 2008, but due to

changes in both HUD and Fannie Mae's underwriting criteria, sales were put on hold until a competitive financing program can be established. Staff is working with DHCA on this matter. Once sales resume, proceeds will be used to pay off the original bank loan with any shortfalls in the project budget to be covered by a guarantee from DHCA. HOC earned a \$500,000 developer's fee in FY 2009.

FY 2010

King Farm Village

Adopted Budget

	Revenue Sources	
Total Expenses	County Housing Initiative Fund	Bank Loan
\$13,525,000	\$6,400,000	\$7,125,000

Jubilee Home

HOC partnered with Jubilee Association of Maryland, Inc. to apply for State (Department of Health and Mental Hygiene) and County (Department of Housing and Community Affairs) funding for the acquisition and rehabilitation of a group home that would serve three developmentally disabled residents and one live-in staff member. HOC's role will be owner/landlord of the selected group home and Jubilee will be the social service

provider. The funding, up to \$492,000 from the State and \$535,000 from the County, has been granted. In July 2008, HOC acquired a three-bedroom rambler located in Wheaton. The home will be substantially renovated to meet the special needs of the future residents.

Upon completion, the property will be under an HOC Project Based Voucher contract for three units. Projected cash flow will be determined once the contract terms and maximum allowable rents are known.

FY 2010

Jubilee Home

Adopted Budget

	Revenue Sources		
Total Expenses	Maryland DHMH Loan	County CDBG Loan	County Housing Initiative Fund
\$1,027,000	\$492,000	\$520,000	\$15,000

Paddington Square Apartments

HOC acquired the 166-unit Paddington Square Apartments in February 2004 assuming existing financing and incurring additional debt to complete the acquisition. Because HOC did not have funding available in the past to undertake a comprehensive renovation, the property has performed poorly with higher than average operating expenses. HOC has since invested over \$7 million to pay for some upgrades as well as cover operating deficits. Given this history, Montgomery County Department of Housing and Community Affairs (DHCA) has committed to increase its existing \$500,000 loan by \$8,644,092 to a total of \$9,144,092 which will allow for a substantial renovation as well as the retirement of some short-term debt. DHCA intends to commit its funds over a three-year period as funds become available. HOC expects to begin renovations

of the exterior brick work, replace windows, and upgrade common areas in late 2009. Unit renovations will be phased in over the following two years.

Post-rehab market rents will be increased; however, the additional rental revenue will be offset by greater public purpose on 14 units with rents reduced to 50% of Area Median Income (AMI) from 60% AMI. The proposed improvements are expected to reduce the property's operating expenses, repairs and replacements as well. Additionally, a portion of the loan from DHCA is being used to pay off short term debt which will reduce debt service by \$126,000. These changes will enable HOC to refinance sufficient new debt in 2012, when the existing financing can be retired, to pay off most of the short-term debt. (See attached analysis for detailed impact on operations).

FY 2010

Paddington Square Apartments

Adopted Budget

	Revenue Sources		
Total Expenses	County Housing Initiative Fund	HOC Project Cash	Loan From OHRF
\$9,627,400	\$8,644,090	\$483,310	\$500,000

Impact to Operations	Current FY 2009	Post Rehab FY 2013 *	Impact
Operating Income	2,133,100	2,740,000	606,900
Operating Expense	1,070,000	1,172,000	102,000
Net Operating Income	\$1,063,100	\$1,568,000	\$504,900
Non-Operating Expense	1,220,000	1,094,000	(126,000)
Cash Flow	(\$156,900)	\$474,000	\$630,900

(*) Please note that there is a three year period between the pre- and post-rehab figures which includes annual rent increases and inflation on expenses.

Magruder's Discovery

HOC intends to refinance and renovate this 134-unit garden style apartment community located in Bethesda, as authorized by the Commission on January 9, 2008. The refinancing was originally scheduled for FY 2009. Due to the unavailability of competitive bond financing over the past year, staff postponed the plan until the bond market stabilized. A reissuing of a Request for Proposal to general contractors to perform the renovations is imminent, and work should begin prior to the close of 2009 and be completed within 18 months. Renovations to the property include updating building entrances and common areas, landscaping, and replacing playground equipment. In-unit renovations include replacing HVAC units, updating kitchens and baths, replacing water heaters, repainting

and adding new interior doors, lighting and carpet.

The objective of the plan is to increase the useful life of the community by improving dated features and finishes. Although this rehabilitation is expected to decrease future expenses for maintenance, unit turnover, and capital line items, the property will not realize the operational income increase typically associated with this type of rehabilitation. Since Magruder's Discovery is 100% Project Based Section 8, monthly rental rates will continue to be adjusted by HUD established guidelines based upon the Operating Cost Adjustment Factor (OCAF). This, coupled with the increased debt service associated with the new bond financing, will result in an overall decrease in property cash flow when compared to previous years.

FY 2010

Magruder's Discovery

Adopted Budget

	Revenue Sources
Total Expenses	Bond Financing
\$13,336,240	\$13,336,240

Other Projects

Hampden Lane and Edson Lane are pending

transactions with final capital budgets not yet determined.

Opportunity Housing Reserve Fund (OHRF)

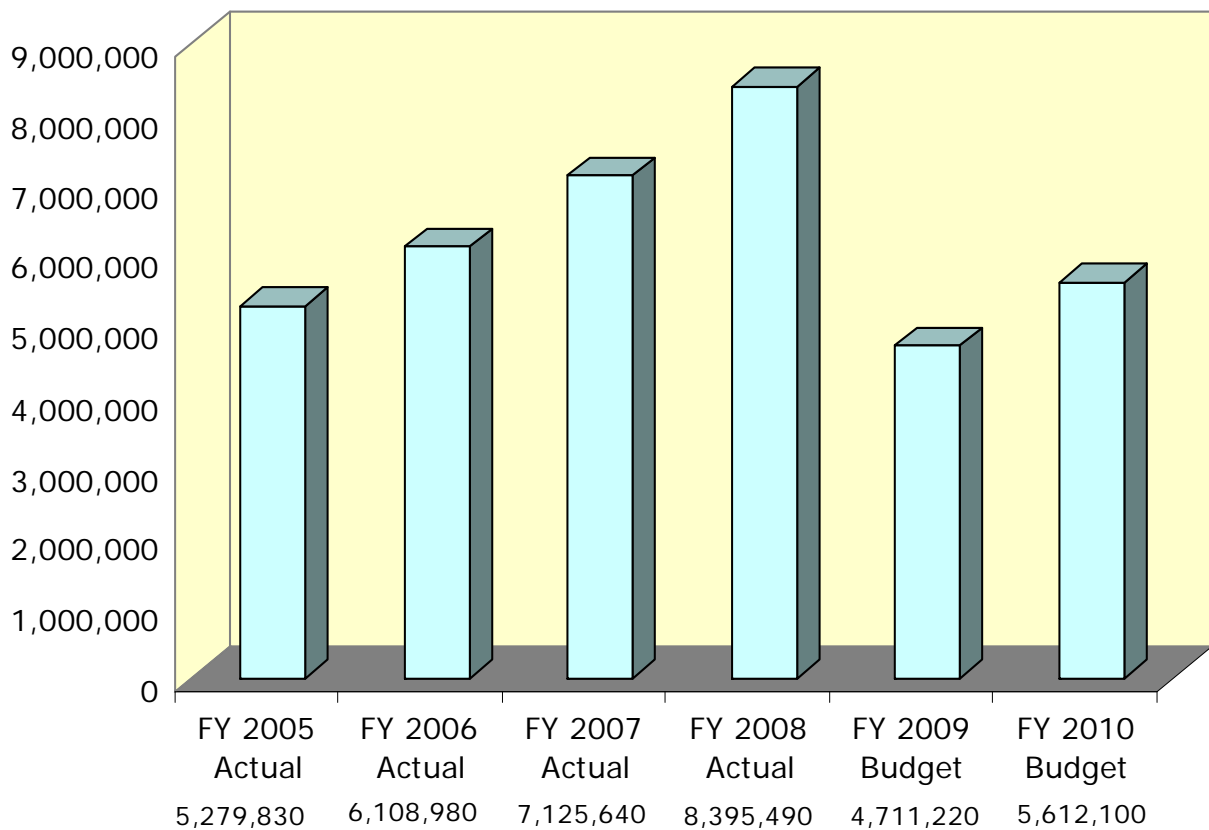
HOC established the OHRF in 1980 initially to address the use of revenues generated from the sale of bonds under the Single Family Mortgage Purchase Program. Today, the OHRF is a repository of proceeds from various HOC activities, whose primary purpose is the production of affordable housing.

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

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

The FY 2010 Adopted Budget projects a net increase in the OHRF of \$900,880.

OHRF Year-end Balances



Opportunity Housing Reserve Fund (OHRF)

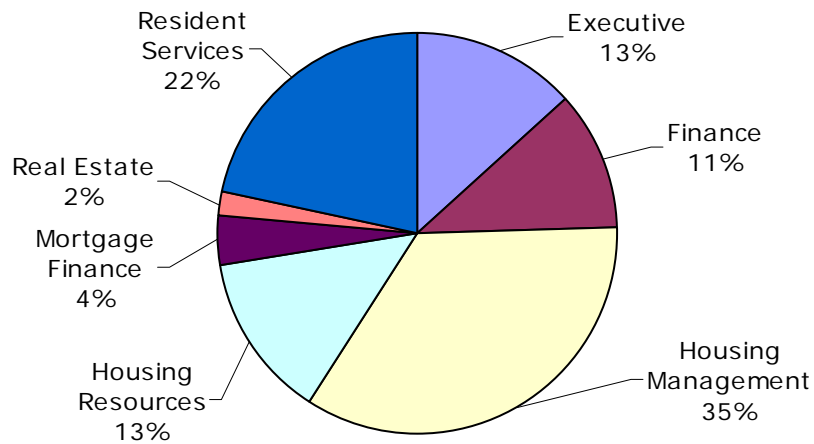
Source of Capital	Total
Cash Balance as of 6/30/08	\$8,395,490
Source of Funds (FY 2009)	
Pooks Hill High-Rise Development Fee (60%)	300,000
Dale Drive Development Fee (60%)	60,000
King Farm Development Fee (60%)	300,000
7423 Aspen Court (60%)	48,000
717 Sligo Creek Parkway (100%)	60,000
Pooks Hill High-Rise Commitment	98,250
Montgomery Arms Loan Payment	151,830
Leafy House Sale	39,600
Cost Savings from Barclay, Chevy Chase and Spring Garden Development Budget	1,685,670
County Service Center Contribution	100,000
Interest Income	250,000
SUBTOTAL	\$3,093,350
Source of Funds (FY 2010)	
Budgeted Development Fees (60% of Total)	1,028,000
Budgeted Commitment Fees (60% of Total)	255,000
Montgomery Arms Loan Payment	151,830
Payment for Loan to fund FY 09 IT & Facilities Capital Budget	156,110
HO&C Development Fee Income	173,470
SUBTOTAL	\$1,764,410
TOTAL	\$4,857,760
Current Obligations	
Purchase of PH Units	(22,430)
MetroPointe Loan Operating Deficit & Construction Loan	(1,250,000)
MetroPointe Loan Operating Deficit Loan	(868,600)
Paddington Square Loan	(500,000)
Pooks Hill High-Rise Loan	(250,000)
Sligo Creek Purchase Deposit	(50,000)
Aspen Court Purchase Deposit	(50,000)
Metropolitan Balconies	(1,060,000)
FY 2008 Personnel Expenses (Real Estate Division)	(461,000)
FY 2009 Personnel Expenses (Real Estate Division)	(896,840)
Loan for Customer Service Centers Start-up Costs	(600,000)
Loan to fund FY 2009 IT & Capital Budget	(730,000)
FY 2008 Montgomery Consultants	(13,750)
FY 2009 Montgomery Consultants	(25,000)
SUBTOTAL	(\$6,777,620)
Use of Funds (FY 2010)	
Personnel Expenses (Real Estate Division)	(838,530)
Montgomery Consultants	(25,000)
SUBTOTAL	(\$863,530)
TOTAL	(\$7,641,150)
Projected Cash Balance as of 6/30/10	\$5,612,100

Personnel Assumptions

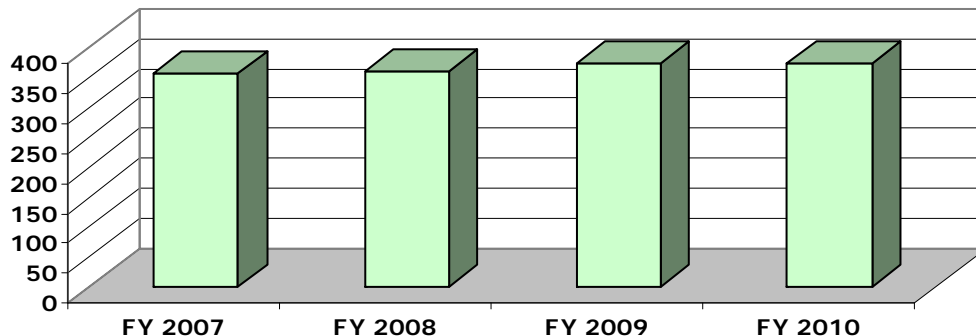
Personnel Complement

- The FY 2010 Adopted Budget includes a total of 373.80 work years.
- One work year was added in FY 2010 to the Housing Management Division for a Leasing

Occupancy Specialist as a result of the additional units being added to the Opportunity Housing portfolio.



Divisions	Actual FY 2007	Actual FY 2008	Amended FY 2009	Adopted FY 2010	% Change
Executive	41.00	40.00	49.50	49.50	0.00%
Finance	42.00	42.00	42.00	42.00	0.00%
Housing Management	125.35	126.60	128.60	129.60	0.78%
Housing Resources	0.00	0.00	49.60	49.60	0.00%
Mortgage Finance	13.50	14.50	14.50	14.50	0.00%
Real Estate	12.00	10.00	8.00	8.00	0.00%
Rental Assistance	42.00	42.00	0.00	0.00	0.00%
Resident Services	80.50	84.60	80.60	80.60	0.00%
Total	356.35	359.70	372.80	373.80	0.27%



Executive Division

Position Title	Status	Grade	Total
Executive Director	Full Time	A	1
Chief of Staff	Full Time	EX-02	1
Director of Federal Programs	Full Time	EX-01	1
Director of Information & Technology	Full Time	EX-01	1
Director of Public Affairs	Full Time	EX-01	1
Director of Human Resources	Full Time	31	1
Staff Attorney	Full Time	TBD	1
Assistant Director of Federal Programs	Full Time	29	1
Internal Auditor	Full Time	28	1
Labor Relations Manager	Full Time	28	1
Facilities Manager	Full Time	27	1
Network Manager	Full Time	26	1
Applications Development Supervisor	Full Time	25	1
Assistant Public Affairs Officer	Full Time Term	25	1
Compliance Manager	Full Time	25	1
Human Resources Coordinator	Full Time	24	2
Senior Programmer/Analyst	Full Time	24	1
Special Assistant to the Commission	Full Time	22	1
Federal Programs Analyst	Full Time	22	1
Programmer/Analyst	Full Time	22	1
Telecommunications Specialist	Full Time	22	1
Buyer II	Full Time	21	1
Compliance Inspector	Full Time	21	3
Human Resources Specialist II	Full Time	21	1
Management Analyst I	Full Time	21	2
Network Technician	Full Time	21	1
Payroll Specialist	Full Time	21	1
Public Information Specialist	Full Time	21	1
Webmaster	Full Time	21	1
Administrative Assistant to the Executive Director	Full Time	20	1
Facilities Maintenance Specialist	Full Time	20	1
Senior Technician	Full Time	20	1
Administrative Assistant	Full Time	19	1
Junior Programmer/Analyst	Full Time	19	1
PC Technician	Full Time	18	1
Help Desk Analyst	Full Time	16	1
Human Resources Assistant	Full Time	16	1
Payroll Assistant	Full Time	16	1
Program Assistant II	Full Time	15	1
Program Assistant II	Full Time Term	15	1
Records Management Clerk II	Full Time	13	1
Mail & Supply Technician	Full Time	12	2
Receptionist	Full Time	11	1
Facilities Assistant	Full Time	10	1
Administrative Aide III	Part Time	13H	0.5
Total (Percentage of Total Work Years)			49.5 13.24%

Finance Division

Position Title	Status	Grade	Total
Chief Financial Officer	Full Time	EX-02	1
Assistant Chief Financial Officer	Full Time	31	1
Budget Officer	Full Time	29	1
Accounting Manager	Full Time	28	2
Procurement Officer	Full Time	27	1
Accounting Supervisor	Full Time	25	4
Accounts Payable & Resident Accounting Supervisor	Full Time	25	1
Assistant Budget Officer	Full Time	24	1
Accountant II	Full Time	21	11
Cash/Investment Manager	Full Time	21	1
Administrative Assistant	Full Time	19	1
Accountant I	Full Time	19	3
Buyer II	Full Time	19	1
Program Specialist	Full Time	19	1
Resident Accounting Specialist II	Full Time	19	1
Lead Disbursement Specialist	Full Time	18	1
Buyer I	Full Time	17	1
Resident Accounting Specialist I	Full Time	17	1
Resident Acct. Clerk I	Full Time	15	2
Accounting Clerk I	Full Time	14	4
Office Assistant III	Full Time	14	1
Office Assistant II	Full Time	12	1
Total (Percentage of Total Work Years)			42 11.24%

Housing Management Division

Position Title	Status	Grade	Total
Director of Housing Management	Full Time	EX-02	1
Asst Director of Asset Management & Modernization	Full Time	29	1
Asst Director of Property Management/Operations	Full Time	29	1
Manager of Modernization	Full Time	28	1
Asset Manager	Full Time	27	2
Program Oversight Manager	Full Time	27	1
Regional Manager	Full Time	27	4
Specification Writer	Full Time Term	TBD	1
Budget & Operations Manager	Full Time	25	1
Project Manager	Full Time	25	2
Assistant Regional Manager	Full Time	24	1
Management/Compliance Specialist	Full Time	24	1
Maintenance Specialist	Full Time	23	1
Scattered Sites Operations Manager	Full Time	23	1
Lead Occupancy Specialist	Full Time	22	1
Property Manager	Full Time	22	18
Security Coordinator	Full Time Term	22	1
Lead Inspector	Full Time	21	1
Program Specialist II	Full Time	21	1
Senior Office Manager	Full Time	21	1
Total Quality Manager	Full Time	21	3
Administrative Assistant	Full Time	19	1
Leasing/Occupancy Specialist	Full Time	19	1
Occupancy Specialist II	Full Time	19	2
Lead Trades Maintenance Worker	Full Time	19	3
Assistant Site Manager	Full Time	17	4
Housing Inspector	Full Time	17	7
Occupancy Specialist I	Full Time	17	1
Trades Maintenance Worker II	Full Time	17	32
Inventory & Control Specialist	Full Time	16	1
Program Assistant III	Full Time	16	4
Trades Maintenance Worker I	Full Time	15	6
Program Assistant I	Full Time	14	6
Office Assistant III	Part Time	14H	0.6
Administrative Aide III	Full Time	13	1
Building Services Worker	Full Time	13	1
Inventory & Control Assistant	Full Time	12	1
Facilities Assistant	Full Time	9	1
Custodian	Full Time	8	12
Total (Percentage of Total Work Years)			129.6 34.67%

Housing Resources Division

Position Title	Status	Grade	Total
Director of Housing Resources	Full Time	EX-01	1
Assistant Director of Housing Resources	Full Time	29	1
Customer Service Center Director	Full Time	25	2
Operations & Procedures Manager	Full Time	25	1
Customer Services Support Manager	Full Time	24	1
Customer Service Manager	Full Time	22	2
Financial Analyst	Full Time	22	1
Management Analyst I	Full Time	21	1
Trainer	Full Time	21	1
Resident Counselor III	Full Time	20	7
Resident Counselor III	Part Time	20H	0.6
Administrative Assistant	Full Time	19	1
Housing Specialist II	Full Time	19	14
Rent Market Analyst	Full Time	18	1
Housing Specialist I	Full Time	17	5
Program Assistant III	Full Time	16	1
Program Assistant I	Full Time	14	5
Administrative Aide III	Full Time	13	2
Records Management Clerk II	Full Time	13	1
File Clerk	Full Time	10	1
Total (Percentage of Total Work Years)			49.6 13.27%

Mortgage Finance Division

Position Title	Status	Grade	Total
Director of Mortgage Finance	Full Time	EX-02	1
Assistant Director of Mortgage Finance	Full Time	29	1
Portfolio Manager	Full Time	28	1
Single Family Loan Management Supervisor	Full Time	27	1
Financial Analyst	Full Time	24	1
Homeownership Coordinator	Full Time	24	1
Program Specialist III	Full Time	22	2
Mortgage Servicing Specialist II	Full Time	21	1
Program Specialist II	Full Time	21	1
Administrative Assistant	Full Time	19	1
Homeownership Specialist	Part Time	19H	0.5
Program Specialist I	Full Time	18	2
Office Manager I	Full Time	16	1
Total (Percentage of Total Work Years)			14.5 3.88%

Real Estate Division

Position Title	Status	Grade	Total
Director of Real Estate	Full Time	EX-02	1
Construction Manager	Full Time	28	1
Housing Acquisition Manager	Full Time	28	3
Senior Financial Analyst	Full Time	26	1
Program Specialist	Full Time	21	1
Administrative Assistant	Full Time	19	1
Total (Percentage of Total Work Years)			8 2.14%

Resident Services Division

Position Title	Status	Grade	Total
Director of Resident Services	Full Time	EX-01	1
Assistant Director of Resident Services	Full Time	29	1
Resident Service Supervisor II	Full Time	27	1
Resident Service Supervisor I	Full Time	26	1
Program Coordinator	Full Time	25	1
Grants Coordinator	Full Time	24	1
Resident Services Housing Programs Coordinator	Full Time	24	1
Special Projects/Volunteer Coordinator	Full Time	24	1
Family Resource Center Director	Full Time	22	4
Management Analyst II	Full Time	22	1
Program Coordinator	Full Time Term	22	1
Program Specialist IIA	Full Time	22	2
Program Specialist IIA	Full Time Term	22	1
Resident Employment Coordinator	Full Time	22	1
Management Analyst I	Full Time Term	21	1
Program Specialist	Full Time Term	20	3
Resident Counselor III	Full Time	20	17
Resident Counselor III	Full Time Term	20	19
Resident Counselor III	Part Time	20H	2.5
Resident Counselor III	Part Time Term	20H	1
Administrative Assistant	Full Time	19	1
Emergency Assistance Specialist	Full Time Term	19	3
Emergency Assistance Specialist	Part Time Term	19H	0.5
Housing Locator	Full Time Term	18	2
Housing Specialist	Full Time Term	18	1
Resource Specialist	Full Time Term	17	1
Intake Specialist	Full Time Term	16	1
Office Manager I	Full Time	16	1
Administrative Aide III	Full Time	13	2
Administrative Aide III	Part Time	13H	0.5
Community Aide	Full Time Term	11	5
Community Aide	Part Time Term	11H	1.1
Total (Percentage of Total Work Years)			80.6 21.56%

GRAND TOTAL

373.80 100.00%

Compensation

FY 2010 General Salary Schedule

The General Salary Schedule, which is used to determine pay for all Career and Term positions, remains at the levels established for FY 2009. All salary schedules are located at the end of this section.

Maintenance On-Call

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

Multilingual Pay

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

Lead Worker

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

Service Labor Trades Differential Program

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

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

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

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

Employee Reimbursements

Mileage Reimbursement

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

Miles	Reimbursement Rate
1-1,000	55 cents per mile*
1,001-7,500	70 cents per mile
7,501 and above	80 cents per mile

* The Internal Revenue Service (IRS) sets the standard reimbursement rates for mileage. The current IRS rate for mileage is 55 cents per mile. Should IRS increase the reimbursement rate during the fiscal year, HOC will also increase the base mileage rate.

Automobile Insurance and Scheduled Maintenance Reimbursement

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

Meal Allowance

The Meal Allowance rate for FY 2010 is \$15.00. This allowance is available to those employees who must attend evening meetings in connection with Commission business.

Tuition Assistance

The Employee Tuition Assistance Program is designed to assist employees with educational expenses toward an undergraduate or graduate degree such as AA, BS, BA, MS, etc. Program guidelines and eligibility requirements are available in the Human Resources Office. The maximum allowance for Tuition Assistance for an employee is \$1,500 for FY 2010.

Fitness Reimbursement

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

Pay Grade Schedule—Represented Employees

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

* 20 Years Completed Service and at Maximum of Pay Grade

Pay Grade Schedule—Unrepresented Employees

Annual Salary

Hourly Wages

Pay Grade	Minimum	Maximum	Longevity *	Pay Grade	Minimum	Maximum	Longevity *
Grade 8	\$26,254	\$41,096	\$41,918	Grade 8 Hourly	\$12.62	\$19.76	\$20.15
Grade 9	\$27,291	\$42,977	\$43,836	Grade 9 Hourly	\$13.12	\$20.66	\$21.08
Grade 10	\$28,387	\$45,006	\$45,906	Grade 10 Hourly	\$13.65	\$21.64	\$22.07
Grade 11	\$29,533	\$47,124	\$48,066	Grade 11 Hourly	\$14.20	\$22.66	\$23.11
Grade 12	\$30,730	\$49,350	\$50,337	Grade 12 Hourly	\$14.77	\$23.73	\$24.20
Grade 13	\$31,997	\$51,690	\$52,723	Grade 13 Hourly	\$15.38	\$24.85	\$25.35
Grade 14	\$33,327	\$54,151	\$55,234	Grade 14 Hourly	\$16.02	\$26.03	\$26.55
Grade 15	\$34,718	\$56,725	\$57,860	Grade 15 Hourly	\$16.69	\$27.27	\$27.82
Grade 16	\$36,201	\$59,436	\$60,625	Grade 16 Hourly	\$17.40	\$28.58	\$29.15
Grade 17	\$37,843	\$62,281	\$63,527	Grade 17 Hourly	\$18.19	\$29.94	\$30.54
Grade 18	\$39,578	\$65,269	\$66,574	Grade 18 Hourly	\$19.03	\$31.38	\$32.01
Grade 19	\$41,445	\$68,401	\$69,769	Grade 19 Hourly	\$19.93	\$32.89	\$33.54
Grade 20	\$43,394	\$71,694	\$73,128	Grade 20 Hourly	\$20.86	\$34.47	\$35.16
Grade 21	\$45,451	\$75,150	\$76,653	Grade 21 Hourly	\$21.85	\$36.13	\$36.85
Grade 22	\$47,602	\$78,781	\$80,356	Grade 22 Hourly	\$22.89	\$37.88	\$38.63
Grade 23	\$49,867	\$82,598	\$84,250	Grade 23 Hourly	\$23.97	\$39.71	\$40.50
Grade 24	\$52,242	\$86,593	\$88,325	Grade 24 Hourly	\$25.12	\$41.63	\$42.46
Grade 25	\$54,733	\$90,797	\$92,612	Grade 25 Hourly	\$26.31	\$43.65	\$44.53
Grade 26	\$57,356	\$95,211	\$97,115	Grade 26 Hourly	\$27.58	\$45.77	\$46.69
Grade 27	\$60,083	\$99,846	\$101,843	Grade 27 Hourly	\$28.89	\$48.00	\$48.96
Grade 28	\$62,412	\$104,712	\$106,806	Grade 28 Hourly	\$30.01	\$50.34	\$51.35
Grade 29	\$65,614	\$109,819	\$112,015	Grade 29 Hourly	\$31.55	\$52.80	\$53.85
Grade 30	\$68,592	\$115,189	\$117,493	Grade 30 Hourly	\$32.98	\$55.38	\$56.49
Grade 31	\$71,718	\$120,822	\$123,239	Grade 31 Hourly	\$34.48	\$58.09	\$59.25
Grade 32	\$74,996	\$124,520	\$127,010	Grade 32 Hourly	\$36.06	\$59.87	\$61.06
Grade 33	\$78,440	\$128,220	\$130,784	Grade 33 Hourly	\$37.71	\$61.64	\$62.88
Grade 34	\$82,058	\$131,921	\$134,560	Grade 34 Hourly	\$39.45	\$63.42	\$64.69
Grade 35	\$85,860	\$135,620	\$138,333	Grade 35 Hourly	\$41.28	\$65.20	\$66.51
Grade 36	\$89,851	\$139,323	\$142,109	Grade 36 Hourly	\$43.20	\$66.98	\$68.32
Grade 37	\$94,035	\$143,018	\$145,878	Grade 37 Hourly	\$45.21	\$68.76	\$70.13

* 20 Years Completed Service and at Maximum of Pay Grade

Pay Grade Schedule—Executive Leadership Service

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

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Program History

Legislative History

Thirty 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,

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

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

HOC Through the Years

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

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

The 1970s

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

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

The 1980s

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

The 1990s

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

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

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

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

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

The Current Outlook

The arrival of the 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.

For the past several years, appropriations for the HCV Program in particular have been under greater scrutiny. The HCV program has suffered through significant funding cuts and HOC can no longer depend on public money alone to meet the needs of the community. Facing this challenge has put the Agency on a new highway – one which acknowledges changing realities. The new

assumptions under which HOC operates include the following:

In order to succeed in alleviating the affordable housing shortage, HOC will have to expand its partnerships with non-profits, community development organizations and other entities interested in developing affordable housing. New partners will help HOC expand its development efforts and will meet the service needs of its residents.

The economic recession that began in 2007 and escalated in the fall of 2008 has had a profound impact on every level of government. Budget shortfalls are expected to affect a wide range of service agencies, including HOC. Unemployment has risen since the recession began, and could reach 10% during 2009. This loss of income has affected mortgage holders, landlords and renters alike. More and more families are struggling to make mortgage or rent payments and are facing homelessness.

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

Current Housing Environment in Montgomery County

Montgomery County is the largest County in Maryland with an estimated population of 950,680 or 360,000 households (2008 figures) consisting of 55% Caucasian (non-Hispanic) and 45% cultural minorities. It is located on 495 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 twenty percent of the Washington, DC area's households, second only to Fairfax County, Virginia. According to the 2003 Census comparison of the twenty largest metropolitan areas, the Washington metropolitan area is the eighth largest area and has the highest median income of areas compared.

Other demographic items of note are:

- The 2008 estimated median income for

Montgomery County was \$94,200 for a household of four. By comparison, the Greater Washington Area Median Income for 2009 was \$102,700 for a household of four.

- 5.1% of the total population lives below the Federal Poverty Income guidelines of \$16,895 for a household of four.
- The County's estimated labor force for 2008 is 514,292 with an unemployment rate of 3.2%.
- 59.9% of the workforce reside and work in the County, while 40.1% work outside the County; 77% of employed residents commute by car.
- The median age in the County is 37.
- 11.2% of the population is 65 or older.
- Approximately 40% of Maryland's foreign born population resides in Montgomery County.
- Montgomery County's proportion of households in Maryland is expected to grow from 16.4% in 2005 to 16.6% in 2025.
- Between 2005 and 2025, Montgomery County will absorb 17% of the State's household growth.
- 82% of the housing allowed by Montgomery County plans is already built.
- The average household size was 2.66 in 2005.
- 42% of the County's households live in multi-family properties.
- Multi-family units remain the largest share of home construction
- 25.7% households are renter occupied.
- 47.3% of renters pay more than 30% of their income on housing costs.
- Apartment rents are continuing their upward trend from an average of \$1,212 in 2006 to an average of \$1,329 in 2008.
- Average apartment rents in 2008:
 - Efficiency \$1,097
 - 1-Bedroom \$1,199
 - 2-Bedroom \$1,380
 - 3-Bedroom \$1,713

- 14.1% of homeowners pay more than 30% of their income on housing costs.
- The median sales price for all home types in Montgomery County as of January 2008 was \$494,623.
- Time on the market before a house is sold averages 120 days.
- On any given day in Montgomery County, there are more than 1,100 people who are homeless. Approximately 27% (roughly 300) are children.
- Almost 1/3 of homeless adults have jobs but still cannot afford housing.

2005 Employment - By Place of Work *		
Industry	Annual Average Employment	%
Federal, State & Local Gov.	77,946	17.0
Private Sector	380,104	82.9
Natural Res. & Mining	709	0.2
Construction	29,444	6.4
Manufacturing	14,714	3.2
Trade, Transp. & Utilities	64,990	14.2
Information Technology	15,105	3.3
Financial Activities	36,127	7.9
Prof. and Business Services	101,111	22.0
Educ. and Health Services	56,698	12.4
Leisure and Hospitality	39,505	8.6
Other Services	21,701	4.7
Unclassified	618	0.1
Total	458,668	100.0

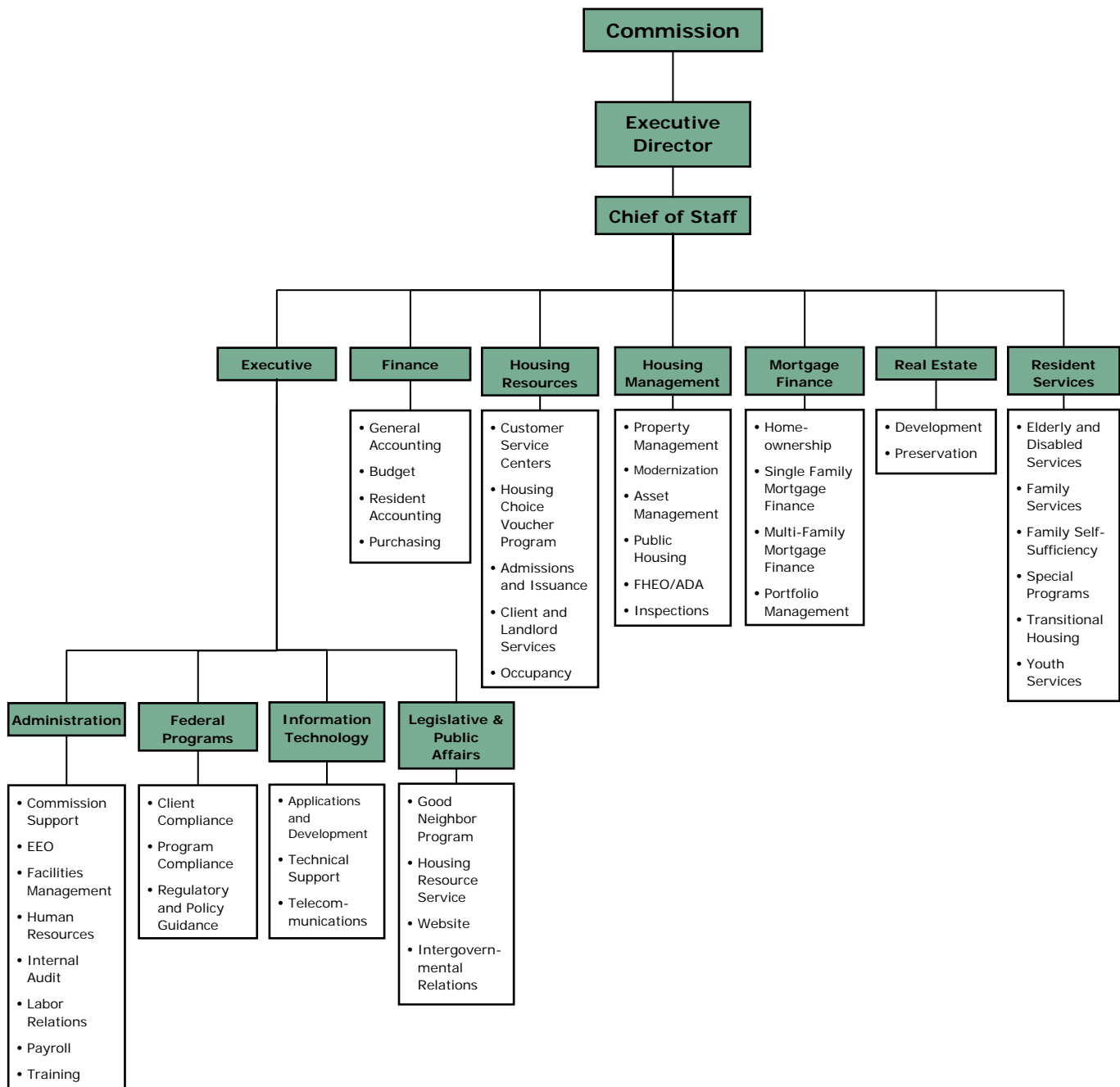
* Maryland Department of Labor, Licensing and Regulation

Description of Current Programs

HOC administers a wide variety of housing programs, including:

- The Public Housing Rental Program which provides housing for low- and moderate-income families, as well as elderly and disabled individuals, who pay 30 percent of their adjusted gross income for rent.
- The Public Housing Homeownership Program is a rental housing program wherein families pay 30 percent of their adjusted gross income each month to HOC. A portion of this monthly payment is placed in two reserve accounts. Once the family's income is high enough to secure a mortgage, these reserve accounts can be used for the down-payment and/or closing costs. (Title to the home along with all rights and responsibilities of homeownership is given to the resident.)
- The Housing Choice Voucher Program (formerly Section 8) sponsored by the U.S. Department of Housing and Urban Development (HUD) assists eligible persons to secure rental housing in the private marketplace. This program allows eligible families to pay no more than 30% of their monthly income for rent.
- The Opportunity Housing Program encompasses a variety of local rental housing programs owned by HOC for families of eligible income and for market rate households.
- The HUD 236 Program provides housing for eligible tenants. HOC manages these developments for their non-profit owners.
- Tax Credit Partnerships provide rental housing for low- and moderate-income households. HOC manages these partnerships and is a 1% general partner.
- The Development Corporations are non-profit owners of HOC-financed properties that are insured under the FHA Risk Sharing Program.
- Single Family Mortgage Revenue Bonds provide below-market interest rate mortgage loans for the purchase of single family homes for moderate-income families.
- Multi-family Housing Revenue Bonds provide below-market rental units within multi-family developments for low-to moderate-income families.
- The Good Neighbor Program provides proactive response to homeowner association concerns about HOC residents and timely information about HOC's development activities, programs and services through meetings, publications and mailing.
- The Housing Resource Service provides customer service for citizens seeking affordable housing, specialized housing for the elderly and those with disabilities, and round-the-clock housing information through the HOC website.
- These programs are supported by an array of resident services funded by Federal, State and County agencies.

Housing Opportunities Commission Functional Organization Chart



Organizational Structure and Staff

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

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 2-42.)

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 the strategic plan (or updates) 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.

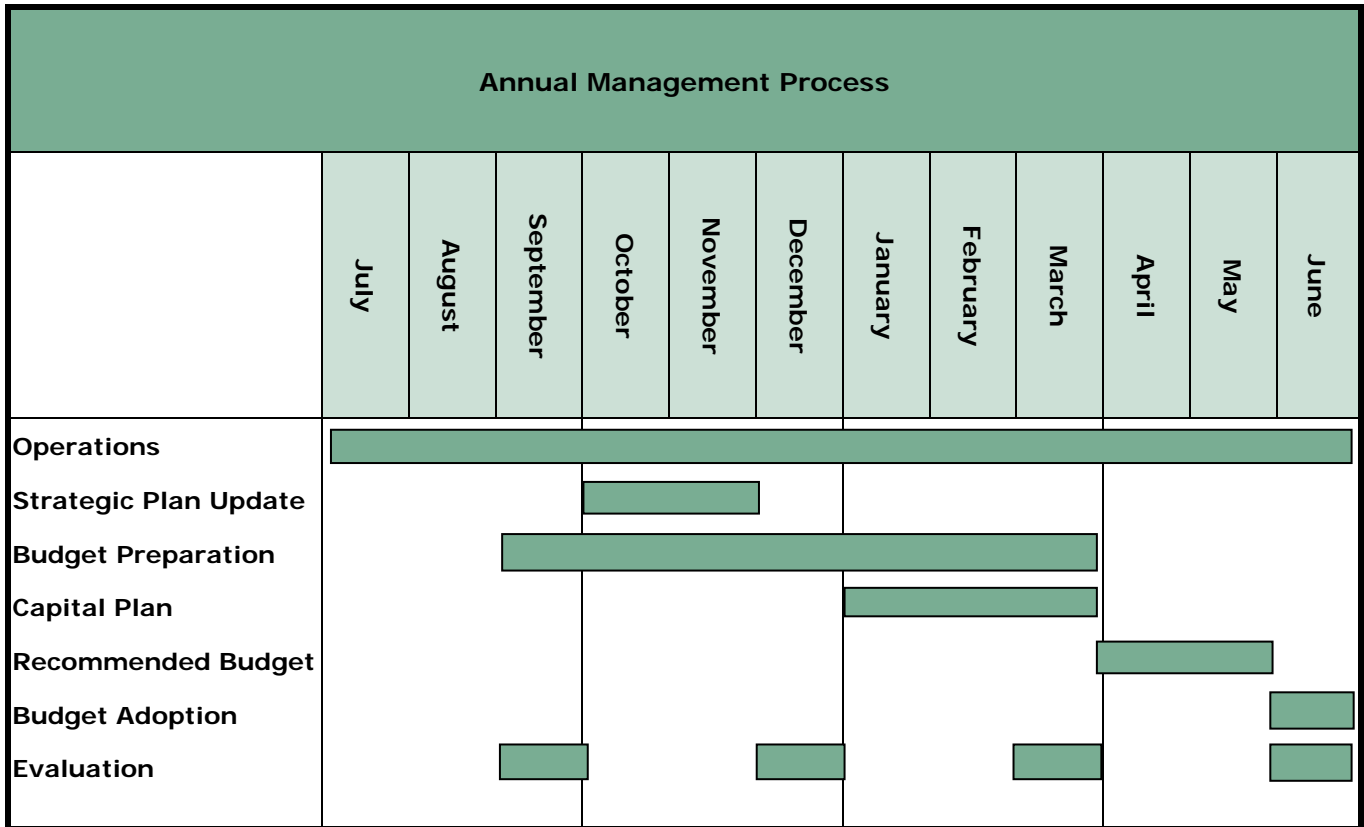
Operations

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 3, 2009

Summary

Housing Type	Actual As of 6/30/2008	Estimate As of 6/30/2009	Budget As of 6/30/2010
Public Housing Rental			
HOC Managed	1,544	1,543	1,543
Public Housing Homeownership			
HOC Managed	11	11	11
Opportunity Housing & Development Corps.			
HOC Managed	1,122	1,171	1,178
Privately Managed	1,939	2,059	2,059
Units Owned by HOC	4,616	4,784	4,791
Managed Properties			
HOC Managed	712	697	697
Contract Managed	1,405	1,277	1,277
Subtotal	2,117	1,974	1,974
Units Administered			
Rental Assistance Programs	5,628	5,836	5,855
Transitional Housing Programs	161	165	165
Special Programs	391	591	659
Subtotal	6,180	6,592	6,679
Units Managed or Administered	8,297	8,566	8,653
TOTAL - ALL UNITS	12,913	13,350	13,444
Total Units Managed by HOC	3,389	3,422	3,429
Total Units Contract Managed	3,344	3,336	3,336
Total Units Administered by HOC	6,180	6,592	6,679

Part A: Units Owned by HOC

Property		Actual	Estimate	Budget
No.	Property Name	As of 6/30/2008	As of 6/30/2009	As of 6/30/2010
PUBLIC HOUSING RENTAL				
Elderly Communities				
511-402	Elizabeth House	160	160	160
511-413	Holly Hall	96	96	96
511-415	Arcola	141	141	141
511-417	Waverly	158	158	158
Subtotal - Elderly		555	555	555
Family Communities				
511-404	Emory Grove	54	54	54
511-405	Washington Square	50	50	50
511-414	Seneca Ridge (Middlebrook Square)	71	71	71
511-430	Towne Centre Place	49	49	49
511-432	Sandy Spring	55	55	55
Subtotal - Family		279	279	279
Scattered Units				
511-001	Scattered Site Central	134	130	130
511-002	Scattered Site East	108	109	109
511-003	Scattered Site Gaithersburg	137	139	139
511-004	Scattered Site North	139	138	138
511-005	Scattered Site West	149	150	150
511-422	Ken Gar	19	19	19
511-426	Parkway Woods	24	24	24
Subtotal - Scattered		710	709	709
Subtotal-Public Housing Rental		1,544	1,543	1,543
PUBLIC HOUSING HOMEOWNERSHIP				
Family Communities				
524-411	Tobytown	11	11	11
Subtotal - Family		11	11	11
Subtotal-Homeownership		11	11	11
Total Public Housing Units (all HOC Managed)		1,555	1,554	1,554

Part A: Units Owned by HOC continued

Property No.	Property Name	Actual As of 6/30/2008	Estimate As of 6/30/2009	Budget As of 6/30/2010
OPPORTUNITY HOUSING & DEVELOPMENT CORPORATIONS				
Family Communities - HOC Managed				
412-457	Tanglewood	83	83	83
465-480	Magruder's Discovery	134	134	134
469-471	Chelsea Towers	21	21	21
499-200	Dale Drive	10	10	10
499-400	Aspen Court - TP	0	16	16
499-600	717 Sligo Creek Parkway	0	12	12
913-455	Sligo Hills (Dev. Corp.)	50	50	50
915-458	Pomander Court (Dev. Corp.)	24	24	24
919-200	Paddington Square (Dev. Corp.)	166	166	166
Subtotal - Family HOC Managed		488	516	516
Scattered Units - HOC Managed				
452-469	McHome	36	38	38
454-451	Holiday Park	20	20	20
455-714	MHLP I	30	29	29
457-716	MHLP III	44	44	44
458-717	MHLP IV	60	60	60
459-716	MHLP V	27	27	27
460-719	MHLP VI-A	0	15	15
461-464	Paint Branch	14	14	14
462-466	McKendree	23	23	23
463-467	MPDU I	64	64	64
470-450	State Rental Combined	196	196	196
913-484	MPDU III (Dev. Corp.)	23	23	23
915-468	MPDU II (Dev. Corp.)	59	59	59
487-001	MPDU 2004	38	38	38
499-300	MPDU 2007	0	5	12
Subtotal - Scattered HOC Managed		634	655	662
Subtotal-HOC Managed		1,122	1,171	1,178
Family Communities - Contract Managed				
414-460	Fairfax Court	18	18	18
417-477	Pooks Hill High-Rise	189	189	189
418-476	Pooks Hill Mid-Rise	50	50	50
427-490	Greenhills	78	78	78
433-487	Strathmore Court @ White Flint	151	151	151
435-489	Westwood	212	212	212
441-485	Brookside Glen (The Glen)	90	90	90
442-473	Diamond Square	124	124	124
912-479	Alexander House (Dev. Corp.)	311	311	311
914-488	The Metropolitan (Dev. Corp.)	216	216	216
915-472	Timberlawn (Dev. Corp.)	107	107	107
917-478	Montgomery Arms (Dev. Corp.)	129	129	129
918-100	MetroPointe	0	120	120
920-300	Chevy Chase Lake (Dev. Corp.)	68	68	68
920-400	Barclay (Dev. Corp.)	76	76	76
Subtotal - Family Contract Managed		1,819	1,939	1,939
Elderly Communities - Contract Managed				
911-475	The Oaks (Dev. Corp.)	120	120	120
Subtotal - Elderly Contract Managed		120	120	120
Subtotal-Contract Managed		1,939	2,059	2,059
Total Opportunity Housing and Development Corporations		3,061	3,230	3,237

Part B: Units Managed and Administered by HOC

Property No.	Property Name	Actual As of 6/30/2008	Estimate As of 6/30/2009	Budget As of 6/30/2010
MANAGED PROPERTIES				
236 Elderly Communities - HOC Managed				
871-701	Bauer Park	142	142	142
872-703	Town Center Apts.	112	112	112
Subtotal - Elderly HOC Managed		254	254	254
Other Family Communities - HOC Managed				
833-741	Manchester Manor Apts. LP	53	53	53
874-705	Camp Hill Square (236 property)	51	51	51
881-730	Jesup Blair (County owned)	10	10	10
Subtotal - Family HOC Managed		114	114	114
Scattered Units - HOC Managed				
812-715	MHLP II	54	54	54
816-719	MHLP VI-A	15	0	0
817-720	MHLP VII	35	35	35
818-721	MHLP VIII	49	49	49
819-711	MHLP IX (Pond Ridge)	40	40	40
819-712	MHLP IX (MPDU units)	76	76	76
820-713	MHLP X	75	75	75
Subtotal - Scattered HOC Managed		344	329	329
Subtotal-HOC Managed		712	697	697
236 Elderly Communities - Contract Managed				
872-703	Leafy House	181	0	0
Subtotal - Elderly Contract Managed		181	0	0
Family Communities - Contract Managed				
818-100	MetroPointe LP	0	53	53
831-787	Strathmore Court LP	51	51	51
832-788	The Metropolitan of Bethesda LP	92	92	92
834-742	Shady Grove Apartments LP	144	144	144
835-743	The Willows of Gaithersburg Associates LP	195	195	195
837-744	MV Affordable Housing Associates LP	94	94	94
838-714	Georgian Court Silver Spring LP	147	147	147
839-746	Barclay One Associates LP	81	81	81
840-747	Spring Garden One Associates LP	83	83	83
841-748	Ambassador One Associates LP	162	162	162
842-749	Forest Oak Towers LP	175	175	175
Subtotal - Family Contract Managed		1,224	1,277	1,277
Subtotal Contract Managed Properties		1,405	1,277	1,277
Total Managed Properties		2,117	1,974	1,974

Part B: Units Managed and Administered by HOC continued

Property Name	Actual	Estimate	Budget
	As of 6/30/2008	As of 6/30/2009	As of 6/30/2010
UNITS ADMINISTERED			
Rental Assistance Programs			
Vouchers	5,402	5,547	5,566
Portables	190	250	250
Mod / Rehab	29	29	29
Homeownership Vouchers	7	10	10
Subtotal-Rental Assistance	5,628	5,836	5,855
Transitional Housing Programs			
McKinney III	10	10	10
McKinney VIII	59	60	60
Turnkey	10	11	11
McKinney X	69	70	70
McKinney XII	13	14	14
Subtotal-Transitional Housing	161	165	165
Specialized Programs			
State RAP	25	25	25
Shelter Plus Care	47	47	47
Shelter Plus Care - New Neighbors	17	17	17
Shelter Plus Care - New Neighbors II	0	3	5
SHRAP	32	32	32
Housing Counselor Programs	70	70	70
Rent Supplemental Programs	147	300	350
Housing First Initiative	0	48	64
Master Lease Properties	53	49	49
Subtotal -Specialized Programs	391	591	659
Total Administered Properties	6,180	6,592	6,679

Part C: HOC Financing

PRIVATELY OWNED UNITS FINANCED BY THE HOC PROPERTY NAME	Actual As of 6/30/2008	Projected As of 6/30/2009	Budget As of 6/30/2010
Private Bond-Financed Properties			
1 Amherst Square	125	125	125
2 Archstone Gaithersburg (Oakwood)	784	648	648
3 Aston Woods	261	261	0
4 Avalon Knoll	300	0	0
5 Blair Park	52	52	52
6 Burnt Mills (AGP)	136	136	136
7 Burnt Mills Phase II	40	40	40
8 Byron House	32	32	32
9 Canterbury	544	544	544
10 Charter House	212	212	212
11 Clopper Mill Manor	102	102	102
12 Covenant Village	89	89	89
13 Croydon Manor	96	96	96
14 Drings Reach	104	104	104
15 Falkland Chase	450	450	450
16 Fox Run (AGP)	218	218	218
17 Oakfield Apartments	371	371	371
18 Gramax	180	180	180
19 Lenox Park	406	406	406
20 Montgomery Paint Branch II	118	118	118
21 Montgomery Paint Branch III	168	168	168
22 Oak Mill II	192	192	192
23 Olney Manor	100	100	100
24 Randolph Manor	83	83	83
25 Ring House	248	248	248
26 Rockville Housing Enterprises	56	56	56
27 Silver Spring House	80	80	80
28 The Bennington	223	223	223
29 Somerset Apartments	99	99	99
30 The Grand	550	550	550
31 University Manor	136	136	136
32 Victory Forest	0	181	181
33 Windsor Court	458	458	458
PRIVATE SUBTOTAL	7,013	6,758	6,497

Part D: HOC Financing

NUMBER OF SINGLE FAMILY LOANS	Actual As of 6/30/2008	Projected As of 6/30/2009	Budget As of 6/30/2010
HALF LOANS			
Number of New Loans			
First Trusts	3	3	3
Closing Cost	2	2	2
	Actual As of 6/30/2008	Projected As of 6/30/2009	Budget As of 6/30/2010
CLOSING COST LOANS			
Number of New Loans	15	50	50
Number of Loans Outstanding	78	120	120
	Actual As of 6/30/2008	Projected As of 6/30/2009	Budget As of 6/30/2010
MORTGAGE PURCHASE PROGRAM			
Number of New Loans	226	150	175
Number of Loans Outstanding	1,375	1,450	1,550

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General Financial Information

Financial Policies

Budget Policy

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

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

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

Internal Control

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

Investment Policy

All funds not needed for immediate

expenditure are invested in interest bearing accounts or securities consistent with governing laws and regulations.

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

Investment of HOC funds are limited to:

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

Financial Policies cont.

custodian.

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

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

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

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

Petty Cash Policy

Petty Cash Funds (technically: Imprest Petty Cash) have been established for several

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

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

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

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

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

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

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

Financial Policies cont.

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

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

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

Procurement Policy

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

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

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

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

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

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

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

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

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

Rental Income Collection Policy

Rents may be paid by personal checks, money orders, certified checks, and County government checks. No cash is accepted or handled by staff. Rent payments are collected via mail, and through drop boxes located at

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

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

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

Description of Major Revenue Sources

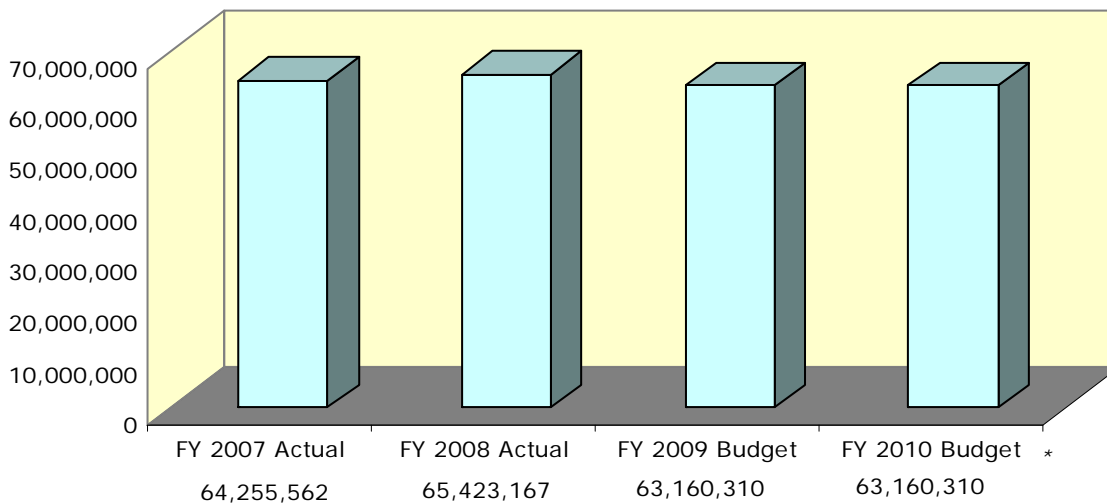
Federal Funds

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

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

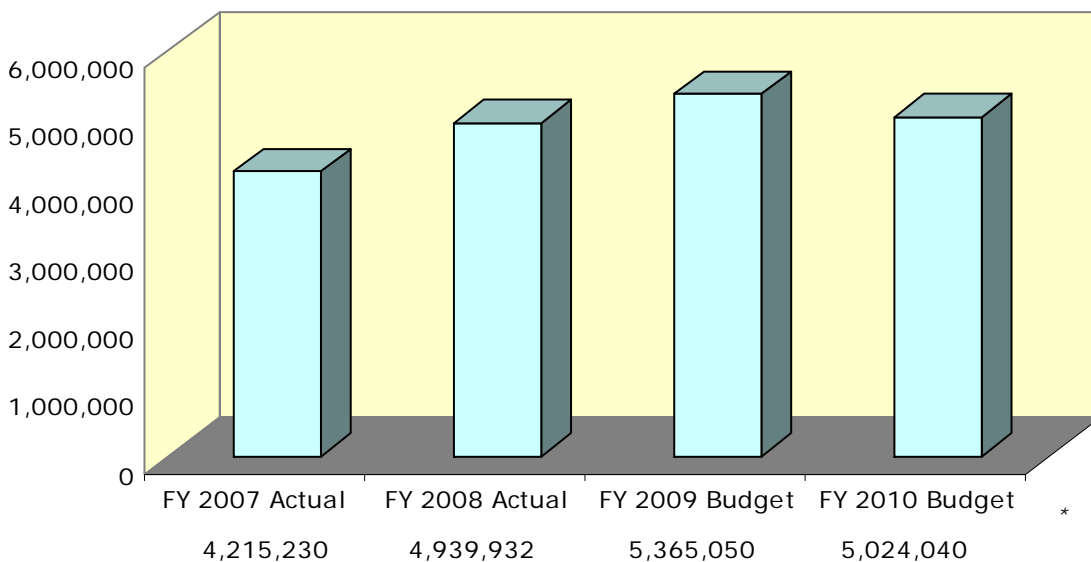
gross household income below 50% of the area median income. Rent subsidy certificates are held by program participants who choose rental units in the private market, provided that the rent is less than a maximum Fair Market Rent (FMR) established by HUD. The program requires that HCV recipients contribute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

Housing Assist Payments (HAP)



**Represents 30.7% of Revenues.*

HCV Administrative Fees



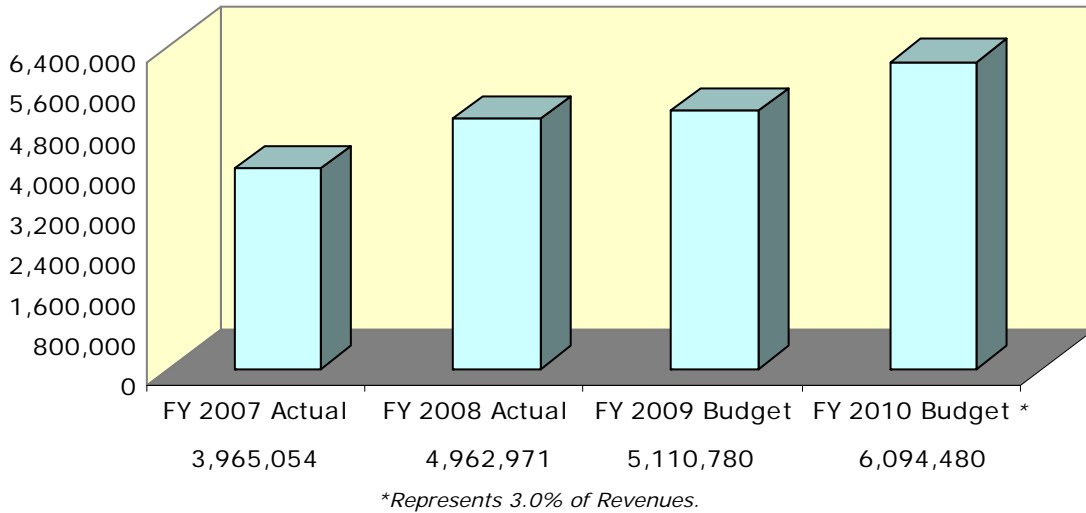
**Represents 2.4% of Revenues.*

Public Housing Operating Subsidy

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

on a calendar year basis using FY 2004 income and expenses adjusted for inflation. Prior to CY 2008, the subsidy was calculated at the Agency level. Beginning in CY 2008, the subsidy will be calculated for each Asset Management Project or AMP.

Public Housing Operating Subsidy



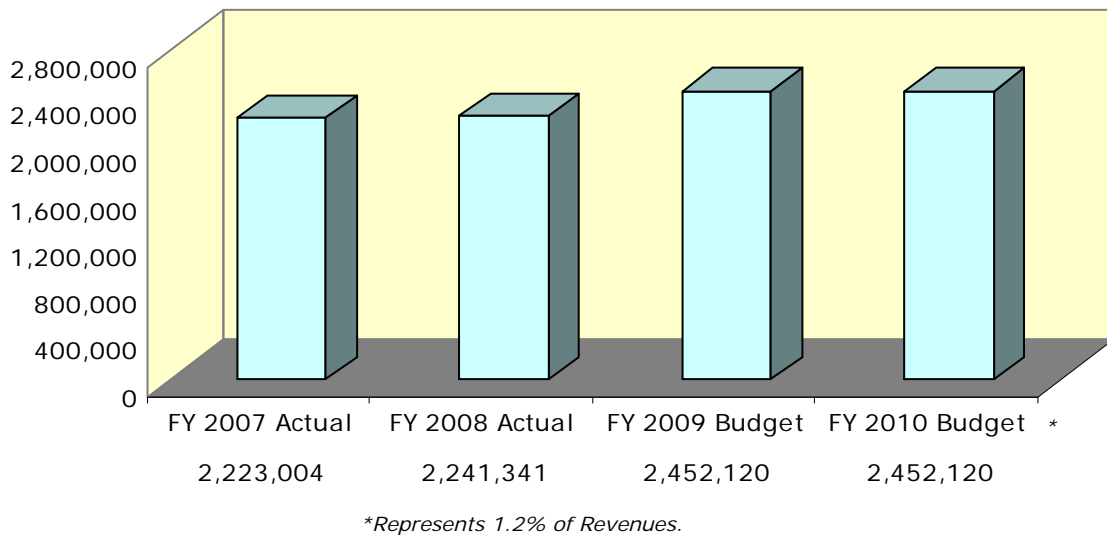
The FY 2008 budget is based on 88% funding rate from HUD.

Capital Fund Program (CFP)

HOC applies to HUD for CFP funds to modernize Public Housing units; these funds are allocated on a formula basis. In order to obtain these funds, HOC prepares a multi-year comprehensive plan identifying improvement needs. HUD funding levels have continued a declining trend over the past several years. The amount of future funds

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

Capital Fund Program



The FY 2010 capital budget includes an estimated award of \$2.4 million from the Capital Fund Program.

McKinney Funds

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

Other HUD Grants

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

State Funds

State Rental Allowance Payment (RAP) Program

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

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

The FY 2010 budget reflects a full year's operation for this program.

Congregate Housing Services Program

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

County Funds

County Operating Grant

Most direct funding received by HOC from Montgomery County is in the form of an annual grant for which HOC applies each year. The bulk (72%) of this grant is used for services to residents in assisted housing. The County grant also reimburses rental license fees charged by the County, offsets rising utility and Home Owner Association (HOA) Fees at our low-income and affordable properties, and supplements the Real Estate Development Program, Public Relations and Housing Information Center.

The FY 2010 budget required HOC to continue funding personnel and operating expenses previously funded with county dollars.

Montgomery Housing Initiative Fund (HIF)

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

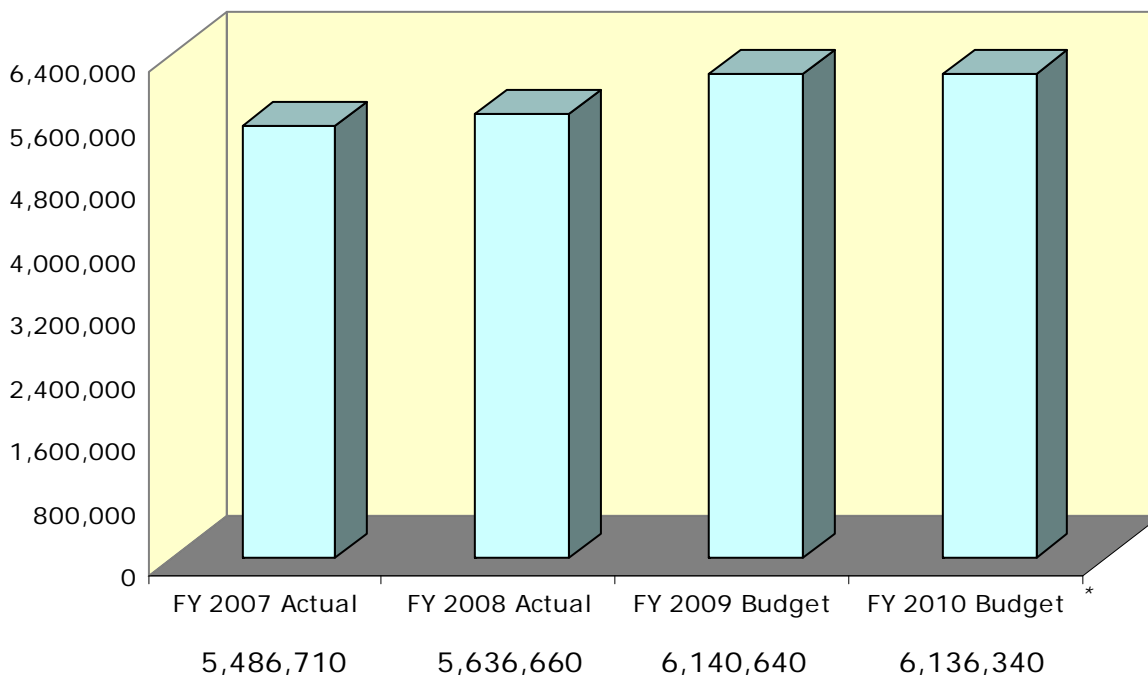
from the supply of affordable housing; and/or participate in mixed-use housing developments that will include affordable housing. HOC requests funds from the HIF on a specific basis.

County Revolving Funds

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

As of December 31, 2008, HOC has \$16.4 million in outstanding loans, which equals 96% of total authority.

County Operating Grant



**Represents 3.0% of Revenues.*

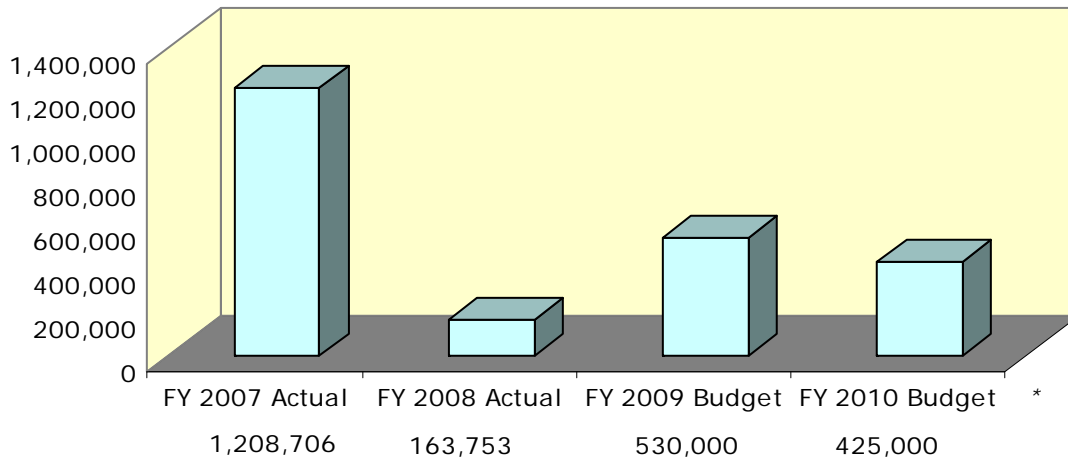
Mortgage Finance Activities

Multi-Family Commitment Fees

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

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

Commitment Fees



*Represents 0.2% of Revenues.

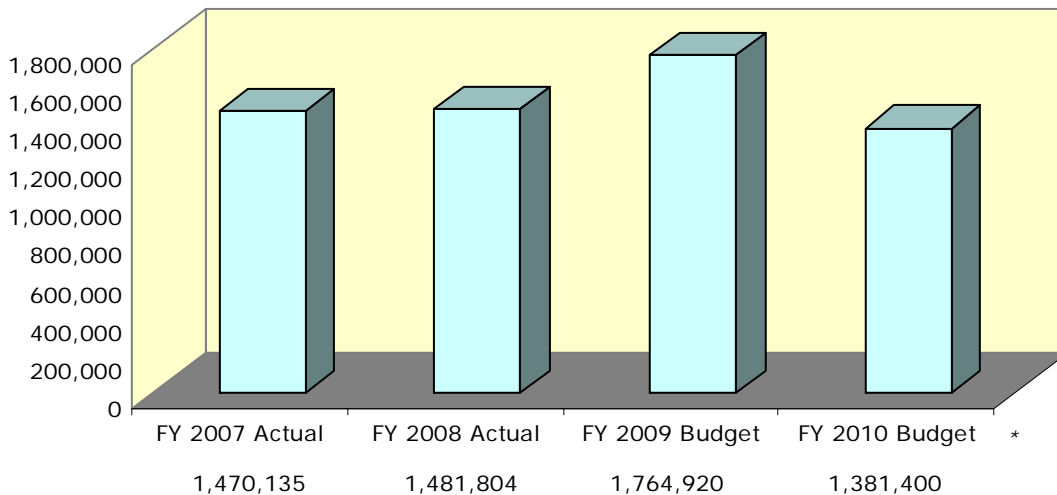
In FY 2010, 40% of all commitment fees collected will be used to support the Agency's operations. The other 60% of the fees will go to the Opportunity Housing Reserve Fund (OHRF) to fund future affordable housing development.

Multi-Family Loan Management Fees

HOC charges an ongoing loan management fee on multi-family mortgage loans. The loan management fee is based on 0.25% of the original

mortgage for as long as the bonds remain outstanding. The Multi-Family Loan Management Fee revenues are used to support the Agency's operating budget.

Loan Management Fees



*Represents 0.7% of Revenues.

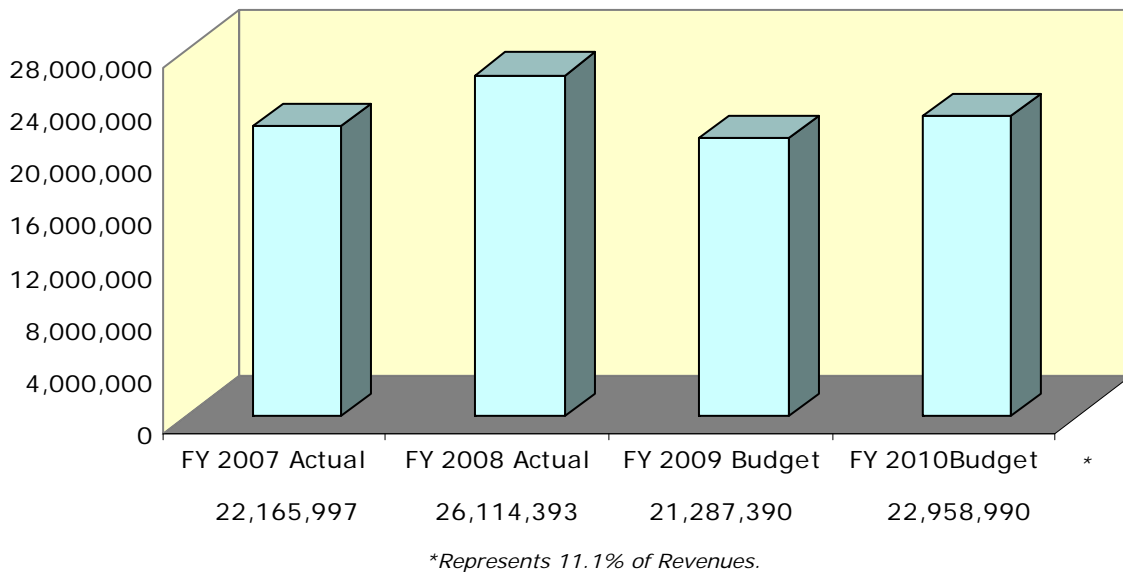
Multi-Family Loan Management Fees have been a steady source of income for the Agency.

Mortgage Interest Income

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

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

Mortgage Interest Income



Bond Funds for Program Administration

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

The FY 2010 budget draws \$1,703,752 from 1979 Single Family Indenture for the cost of program administration for the Single Family Mortgage Finance Program and \$755,941 and \$256,434, respectively, from the 1984 and 1982 Multi-family indentures for the program administration costs of the Multi-Family program.

The Commission's financial advisor assured the Commission that the bond funds can maintain this additional draw for a number of years without affecting the bond rating.

Tax-exempt Mortgage Revenue Bonds

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

The purpose of the tax exemption and lower interest rates is to help make both homeownership and rental housing more affordable to low and moderate income households. The tax-exempt status carries a host of restrictions regarding qualified buyers, properties and renters.

HOC is one of the most active local issuers of mortgage revenue bonds in the country. Since 1979, HOC has issued about \$3.5 billion of securities and currently has about \$1.0 billion of securities outstanding. HOC has been one of a few local issuers that have remained active since 1986 when the Federal government placed a limit on the volume of private activity bonds issued within a state.

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

Property Management Activities

Rents and Related Income from Properties

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

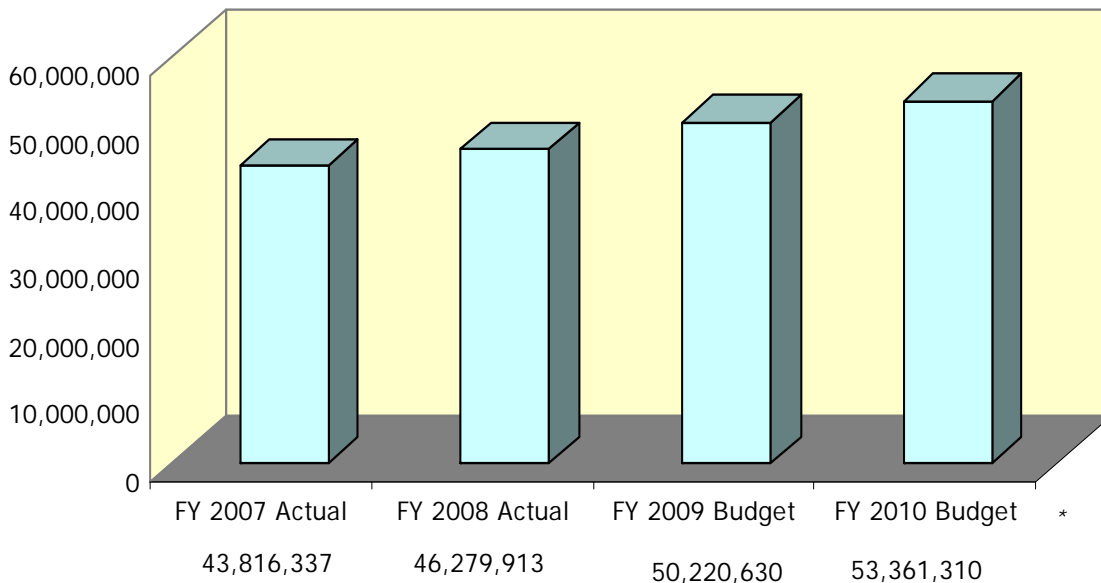
properties annually during the budget development process. Rent is HOC's largest single revenue source after the Housing Assistance Payments.

The FY 2010 budget made the following assumptions for rental rates at Opportunity Housing Properties:

Rent increase upon renewal budgeted at 1%-5%

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

Tenant Income



**Represents 25.9% of Revenues.*

Opportunity Housing Property Reserves

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

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

The FY 2010 Capital Improvement Budget for Opportunity Housing properties is funded from the replacement reserves that are set aside each year in the operating budget as well as general fund property reserves when necessary.

Management Fees

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

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

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

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

Other Income

Interest Income

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

Opportunity Housing Reserve Fund (OHRF)

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

purpose is the production of affordable housing.

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

Debt Management

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

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

or any political subdivision thereof. The Multi-Family Housing Revenue Bonds 1998 Issue A and 2006 Series A are guaranteed as general obligation bonds of Montgomery County. The Multiple Purpose Bonds 2002 Series A, B and C are guaranteed as general obligation of the Commission.

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

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

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

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

The Commission has the use of revolving

funds from the County in the amount of \$17 million; these loans are used for interim financing and are repaid when HOC is reimbursed from the source of the permanent financing for the project. HOC also has a \$20 million unsecured line of credit with PNC Bank. These funds are also used for interim financing of development activity, or other purposes if approved by the Commission and the Bank.

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

Legal Debt Limit

HOC is not limited in the amount of debt it can incur. However, each financing plan is reviewed by Moody's to ensure that our A bond rating is maintained. The following table summarizes the total indebtedness of the Agency as of March 31, 2009.

Debt Summary (As of March 31, 2009)

Bonds	Amount Issued	Amount Outstanding	Property Related	Amount Outstanding
Single Family Fund	528,869,037	317,413,910	Intra-Commission Mortgages	177,542,113
Multi-Family Fund	472,886,992	402,568,587	Other Mortgages	22,904,779
Total HOC Bonds	\$1,001,756,029	\$719,982,497	Total Mortgages	\$200,446,892
Public Housing	5,745,000	5,745,000	County Revolving Funds	15,883,515
Multi-family Bonds	338,444,000	338,218,905	Notes Payable to County	35,415,441
Total Non-Obligated Bonds	\$344,189,000	\$343,963,905	Total Debt to County	\$51,298,956
			Notes Payable to State	\$18,473,126
TOTAL BONDS	\$1,345,945,029	\$1,063,946,402	TOTAL PROPERTY DEBT	\$270,218,974

Single Family Mortgage Revenue Bonds (As of March 31, 2009)

Bond Series	Final Maturity	Amount Issued	Amount Outstanding	
1986 Series A	7/1/2013	20,001,373	5,000	
1988 Series A	7/1/2017	27,035,000	5,000	
1988 Series B	7/1/2017	15,000,000	5,000	
1998 Series A	7/1/2028	16,849,295	31,031,397	(1)
2001 Series A	7/1/2032	19,114,606	2,245,000	
2002 Series A	7/1/2019	13,200,000	4,185,000	
2002 Series B	7/1/2033	1,800,828	2,595,421	(1)
2002 Series C	7/1/2033	16,890,000	16,890,000	
2004 Series A	7/1/2024	19,645,000	12,945,000	
2004 Series B	7/1/2034	5,355,000	2,765,000	
2005 Series A	7/1/2025	18,500,000	15,485,000	
2005 Series B	7/1/2035	6,500,000	3,910,000	
2005 Series C	7/1/2025	11,600,000	9,830,000	
2005 Series D	7/1/2036	13,400,000	10,970,000	
2006 Series A	7/1/2026	18,705,000	16,850,000	
2006 Series B	7/1/2037	11,295,000	10,870,000	
2007 Series A	7/1/2021	15,875,000	14,760,000	
2007 Series B	7/1/2038	19,125,000	18,985,000	
2007 Series C	7/1/2015	1,000,000	1,000,000	
2007 Series D	7/1/2038	20,000,000	19,635,000	
2007 Series E	1/1/2038	13,000,000	13,000,000	(2)
2007 Series F	7/1/2038	10,000,000	10,000,000	
2008 Series A	7/1/2021	13,205,000	13,205,000	
2008 Series B	7/1/2039	3,900,000	3,895,000	
2008 Series C	7/1/2039	8,450,000	8,450,000	
2008 Series D	7/1/2039	17,200,000	17,200,000	
Total Single Family Revenue Bonds		\$356,646,102	\$260,716,818	
HOC Owned Bonds(refunded draw down bonds)				
2005 Series A	1/1/2010	119,030,676	38,849,820	(3)
2005 Series B	1/1/2010	53,192,259	17,847,272	(3)
Total HOC Owned Bonds		\$172,222,935	\$56,697,092	
Total Bonds		\$528,869,037	\$317,413,910	

(1) Includes Accreted Value as of 3/31/2009.

(2) HOC purchased the 2007 Series E bonds on December 17, 2008 to hold in HOC's portfolio. The bonds are still outstanding.

(3) HOC purchased the 2005 Series A and B drawdown bonds in January 2009 to hold in HOC's portfolio. The bonds are still outstanding.

Multi-Family Housing Bonds (As of March 31, 2009)

Bond Series	Current Property Name	Owner	Final Maturity	Amount Issued	Amount Outstanding	Bond Series	Current Property Name	Owner	Final Maturity	Amount Issued	Amount Outstanding	
Multi-Family Program Fund:												
<u>1982 Open Indenture</u>						<u>Housing Development Bonds (Guaranteed by Montgomery County)</u>						
1992 Series C	The Ambassador	Private	7/1/2032	4,425,000	2,685,000	1998 Issue A	Landings Edge	Non-Profit	7/1/2028	12,900,000	10,490,000	
							Pook's Hill	HOC				
						2008 Issue A	MetroPointe	HOC	1/1/2010	33,050,000	33,050,000	
SUBTOTAL				\$4,425,000	\$2,685,000	SUBTOTAL				\$45,950,000	\$43,540,000	
<u>1984 Open Indenture</u>						<u>Multiple Purpose Indenture</u>						
1984 Series A			7/1/2026	5,521,992	88,587	2002 Series A	Strathmore Court	HOC	11/1/2033	22,325,000	21,990,000	
1995 Series A	MPDU I	HOC	7/1/2026	23,910,000	3,010,000	2002 Series C	Fairfax Court	HOC	1/1/2032	12,965,000	12,965,000	
1996 Series A	The Oaks @ Four Corners	HOC	7/1/2026	3,625,000	2,835,000		Pook's Hill	HOC				
1996 Series B	Croyden Manor	Private	7/1/2028	13,610,000	3,170,000		Paddington Square	HOC				
						2008 Series A	Greenhills	HOC	5/1/2039	13,355,000	13,355,000	
SUBTOTAL				\$46,666,992	\$9,103,587	SUBTOTAL				\$48,645,000	\$48,310,000	
<u>1996 Open Indenture</u>						<u>Other Issues</u>						
1998 Series A	TPM Development	HOC	7/1/2030	11,935,000	10,045,000	1993 Issue II	Magruder's Discovery	HOC	7/1/2010	6,505,000	1,110,000	
1998 Series B	Shady Grove	HOC	7/1/2030	18,905,000	15,010,000	SUBTOTAL					\$6,505,000	\$1,110,000
	Manchester Manor	HOC				<u>Public Housing Authority Bonds</u>						
	The Willows	HOC				1973 Issue	Public Housing	HOC	7/1/2010	5,745,000	5,745,000	
2000 Series A	Ring House	Non-Profit	7/1/2030	19,465,000	16,950,000	SUBTOTAL					\$5,745,000	\$5,745,000
2000 Series B	MHLP X	HOC	7/1/2042	28,600,000	25,055,000							
	Stewartown	HOC										
	Georgian Court	HOC										
	Burnt Mill Crossing II	Private										
	University Manor	Private										
2001 Series A	Somerset	Private	7/1/2042	8,240,000	7,805,000							
2002 Series A	Drings Reach	Non-Profit	7/1/2033	8,330,000	7,530,000							
2002 Series B	Silver Spring Metro	Private	7/1/2044	31,465,000	29,785,000							
2003 Series A	Brookside Glen	HOC	7/1/2034	20,265,000	18,250,000							
	Diamond Square	HOC										
	Montgomery Arms	HOC										
2003 Series B	Gramax	Private	7/1/2045	17,840,000	17,430,000							
2004 Series A	Charter House	Private	7/1/2036	13,700,000	13,450,000							
2004 Series B	Rockville Housing	Non-Profit	7/1/2045	4,085,000	3,995,000							
2004 Series C	Chevy Chase	HOC	7/1/2036	19,460,000	18,715,000							
2004 Series C	Barclay	HOC										
2004 Series D	Spring Garden	HOC	7/1/2036	14,110,000	13,580,000							
2004 Series D	Barclay	HOC										
2005 Series A	Montgomery Paint Branch Part II & III	Private	7/1/2028	12,035,000	11,040,000							
2005 Series B	The Metropolitan Tax Credit	HOC	7/1/2034	6,200,000	5,805,000							
2005 Series C	The Metropolitan HOC	HOC	7/1/2037	31,985,000	30,235,000							
2007 Series A	Forest Oak	HOC	7/1/2037	19,055,000	18,730,000							
2007 Series B	Alexander House, Sligo Hills MPDU 3	HOC	7/1/2037	26,800,000	26,400,000							
2007 Series C	Silver Spring Hs., Tx Cr 9, Tx Cr Pond Ridge	Non-Profit/HOC	7/1/2028	8,220,000	8,010,000							
SUBTOTAL				\$320,695,000	\$297,820,000							
(1) Includes Accreted Value												

Multi-Family Housing Bonds (As of March 31, 2009)

Bond Series	Current Property Name	Owner	Final Maturity	Amount Issued	Amount Outstanding
Non-Obligation Bond Issues:					
<u>Multi-Family Housing Revenue Bonds</u>					
1991 Issue A	Oakwood-Gaithersburg	Private	11/1/2007	48,220,000	48,220,000
1996 Issue A	Wynnfield	Private	5/1/2026	31,680,000	31,680,000
1996 Issue B	Oak Mill II	Private	5/1/2026	9,600,000	9,600,000
1996 Issue C	Avalon Knoll Apts./Chase	Private	7/1/2026	14,130,000	11,670,000
2001 Issue A	Aston Woods	Private	5/15/2031	13,000,000	13,000,000
2003 Issue A	Randolph Manor	Private	8/1/2045	5,500,000	5,413,817
2004 Issue A	Olney Manor	Private	1/1/2046	7,000,000	6,907,764
2004 Issue B	Blair Park	Private	10/15/2036	2,700,000	2,623,465
2004 Issue C	Cloppers Mill	Private	7/1/2046	7,800,000	7,719,859
2006 Issue A	Covenant Village	Private	12/1/2048	6,418,000	6,418,000
2006 Issue B	Covenant Village	Private	2/1/2009	1,182,000	1,182,000
<u>Multi-Family Housing Revenue Refunding Bonds</u>					
2001 Issue A	Draper Lane	Private	3/1/2040	35,000,000	35,000,000
2001 Issue B	Draper Lane	Private	3/1/2040	11,000,000	11,000,000
2001 Issue C	Draper Lane	Private	3/1/2040	6,000,000	6,000,000
<u>Variable Housing Revenue Bonds</u>					
1985 Issue II	Falkland Apartments	Private	12/1/2030	24,695,000	24,695,000
1993 Issue I	Windsor Court	Private	11/1/2022	20,200,000	20,200,000
1997 Issue I	The Grand	Private	6/1/2030	54,000,000	57,000,000
2005 Issue I	Oakfield	Private	7/1/2039	38,000,000	38,000,000
1998 Issue I	Byron Housing	Private	9/1/2030	2,319,000	1,889,000
SUBTOTAL				\$338,444,000	\$338,218,905
TOTAL Multi-Family Bonds				\$817,075,992	\$746,532,492

Property Related Debt (As of March 31, 2009)

Property Name	Purpose	Amount Outstanding	Property Name	Purpose	Amount Outstanding
<u>Intra-Commission mortgages made from bond issues</u>			<u>Loans from Montgomery County Revolving Funds</u>		
Alexander House	Mortgage	22,329,301	Brook Farm	Interim Financing	218,174
Chevy Chase Lake	Mortgage	7,918,477	Alexander House	Interim Financing	741,191
Diamond Square	Mortgage	1,629,955	Holiday Park Townhouses	Interim Financing	42,046
Fairfax Court	Mortgage	746,000	Pooks Hill Land	Interim Financing	665,000
Magruder's Discovery	Mortgage	502,074	Ambassador	Interim Financing	1,558,816
Montgomery Arms	Mortgage	9,633,922	MetroPointe	Interim Financing	4,000,000
MPDUs (59)	Mortgage	2,749,508	MPDU 2004	Interim Financing	3,145,788
MPDUs (64)	Mortgage	2,338,977	Tanglewood	Interim Financing	2,512,500
Pomander Court	Mortgage	554,681	General Fund (Paddington Square)	Interim Financing	3,000,000
Pooks Hill Highrise	Mortgage	14,543,449			
Pooks Hill Midrise	Mortgage	3,345,071			
Sligo Hills	Mortgage	3,082,023			
Strathmore Court	Mortgage	17,345,726			
The Glen	Mortgage	6,384,743			
The Metropolitan	Mortgage	28,451,660			
The Oaks at Four Corners	Mortgage	2,811,640			
Timberlawn Crescent	Mortgage	5,574,280			
Barclay Development Corporation	Mortgage	10,113,412			
Greenhills	Mortgage	4,157,085			
MetroPointe	Mortgage	33,330,129			
	Subtotal	\$177,542,113			
<u>Other Mortgages</u>			<u>Notes Payable to Montgomery County Government</u>		
Holiday Park	Mortgage	1,350,000	Alexander House	Construction	1,000,000
Paint Branch	Mortgage	182,070	Chelsea Towers	Acquisition	1,120,725
Paddington Square	Mortgage	7,013,322	Diamond Square	Acquisition	2,746,344
King Farm Village Center	Mortgage	7,125,000	Pooks Hill Highrise	Rehab	400,000
MHLP I	Mortgage	733,955	McHome	Acquisition	2,005,645
MHLP III	Mortgage	664,558	Pooks Hill Midrise	Rehab	411,571
MHLP IV	Mortgage	1,026,140	Sligo Hills	Operating Deficit	300,000
MHLP V	Mortgage	1,082,541	State Rental Consolidated	Acquisition	60,000
MHLP VI	Mortgage	727,193	State Rental VII	Acquisition	1,668,050
	Subtotal	\$19,904,779	Tanglewood	Rehab	52,532
<u>Other Loans</u>			The Glen	Home Funds	783,532
General Fund (Paddington Square)	Contribution	3,000,000	The Oaks at Four Corners	Acquisition	2,213,324
	Subtotal	\$22,904,779	Timberlawn	Acquisition	1,000,000
<u>Notes Payable to State of Maryland</u>			Montgomery Arms	Rehab	1,750,000
Alexander House	RHPP	262,500	MetroPointe	Rehab	3,850,000
Diamond Square	RHPP	2,000,000	Chelsea Towers	Acquisition	655,000
The Glen	RHPP	1,211,706	Chevy Chase	Rehab	1,250,000
General Fund (Paddington Square)	RHPP	500,000	Hampden Lane	Predevelopment	208,064
State Rental Consolidated	PHRP	8,795,567	Dale Drive	Predevelopment	2,614,001
State Rental VII	PHRP	4,712,863	Aspen Court	Acquisition	1,600,000
Tanglewood	PHRP	94,375	MPDU 2004	Acquisition	790,343
Montgomery Arms	LHRGLP	136,017	Ambassador	Acquisition	2,000,000
Ambassador	RHPP	760,098	King Farm Village Center	Acquisition	6,400,000
	Subtotal	\$18,473,126	Jubilee Housing	Acquisition	536,310
			Subtotal		\$35,415,441
			TOTAL PROPERTY RELATED DEBT		\$270,218,974

Debt Summary By Fund

Property Name	Total Debt Service			FY 2010 Adopted BUDGET			
	FY 2007 Actual	FY 2008 Actual	FY 2009 Amended Budget	Interest Payments	Mortgage Insurance	Principal Payments	Total Debt Service
General Fund							
Facilities	46,571	45,023	73,110	\$9,040	\$0	89,450	98,490
IT	158,454	213,041	266,970	\$27,510	\$0	288,190	315,700
Total General Fund	\$205,025	\$258,064	\$340,080	\$36,550	\$0	\$377,640	\$414,190
Multi-Family Bond Fund	\$18,442,512	\$19,162,849	\$19,296,800	\$19,414,690	\$0	\$0	\$19,414,690
Single Family Bond Fund	\$11,386,304	\$12,070,112	\$10,041,530	\$11,222,790	\$28,350	\$0	\$11,251,140
Opportunity Housing Fund							
Alexander House	1,957,865	1,968,968	1,967,460	1,312,950	110,380	542,540	1,965,870
Barclay	0	574,847	688,930	444,020	49,810	194,160	687,990
Brookside Glen (The Glen)	472,111	489,930	507,720	315,360	31,350	160,300	507,010
Chelsea Towers	79,412	78,255	76,860	32,290	0	43,000	75,290
Chevy Chase Lake	425,247	540,127	539,420	347,650	35,780	152,020	535,450
Diamond Square	120,025	120,358	120,190	74,580	8,000	37,420	120,000
Fairfax Court	48,863	48,863	48,860	47,540	0	9,040	56,580
Greenhills	250,000	260,779	318,560	267,930	0	50,630	318,560
Holiday Park	101,563	101,563	101,560	81,000	0	20,560	101,560
Magruder's Discovery	695,205	695,205	0	0	0	0	0
McHome	42,716	42,717	42,720	42,720	0	0	42,720
MetroPointe	0	0	819,710	1,490,100	165,440	310,670	1,966,210
Metropolitan, The	3,050,616	2,463,474	2,331,340	1,796,460	140,740	392,250	2,329,450
Montgomery Arms	702,287	854,119	851,320	516,050	47,380	291,040	854,470
MHLP I	59,791	58,012	59,530	54,630	0	8,050	62,680
MHLP III	0	69,522	53,030	42,730	0	10,290	53,020
MHLP IV	0	119,275	90,970	78,880	0	12,090	90,970
MHLP V	0	147,633	92,290	80,580	0	11,700	92,280
MHLP VI	0	0	111,950	54,550	0	7,020	61,570
MPDU 2004	0	22,246	0	7,640	0	22,020	29,660
MPDU I (64)	233,996	233,619	233,220	134,440	11,360	87,010	232,810
TPM - MPDU II (59)	235,441	235,087	234,720	140,050	13,430	80,840	234,320
The Oaks @ Four Corners	288,272	289,074	288,960	178,890	14,040	95,570	288,500
Paddington Square	1,162,189	1,244,901	1,202,510	896,670	0	189,730	1,086,400
Paint Branch	44,799	44,799	44,800	12,800	0	32,000	44,800
TPM - Pomander Court	47,498	47,426	47,350	28,250	2,710	16,310	47,270
Pooks Hill Mid-Rise	297,276	298,108	364,980	165,660	0	198,950	364,610
Pooks Hill High-Rise	427,073	427,073	0	702,960	0	133,700	836,660
Sligo Hills/ MPDU III	235,994	235,800	235,590	175,420	15,240	44,710	235,370
Strathmore Court	1,229,539	1,226,527	1,222,150	875,640	0	344,070	1,219,710
Tanglewood	7,500	7,500	7,500	0	0	7,500	7,500
TPM-Timberlawn	477,331	476,610	475,850	283,930	27,230	163,890	475,050
Westwood Tower	1,693,983	1,722,129	1,769,250	0	0	1,800,650	1,800,650
Total Opportunity Housing Fund	\$14,386,592	\$15,144,546	\$14,949,300	\$10,682,370	\$672,890	\$5,469,730	\$16,824,990
Public Fund							
Capital Fund Grant	0	0	311,470	311,770	0	0	311,770
Total Public Fund	\$0	\$0	\$311,470	\$311,770	\$0	\$0	\$311,770
TOTAL AGENCY	\$44,420,433	\$46,635,571	\$44,939,180	\$41,668,170	\$701,240	\$5,847,370	\$48,216,780

Estimated Agency Funds (As of June 30, 2009)

Shown below is the agency's projected income statement and impact on fund balance for all funds for FY 2009 and FY 2010 based on the accrual basis. The agency's budgets are adopted under the modified cash basis. This chart is prepared to help in converting the cash based budgets to the agency's accrual based financial statements.

	General Fund	Opportunity Housing Fund	Public Fund	Multi-Family Bond Fund	Single Family Bond Fund	Eliminations	Total
Beginning Fund Balance: 6/30/08	\$14,827,827	\$58,591,757	\$74,977,388	\$20,278,084	\$25,288,444	(\$8,626,664)	\$185,336,836
Revenue:							
Housing Assistance Payments (HAP)	0	0	69,505,172	0	0	0	69,505,172
HAP administrative fees	0	0	4,917,790	0	0	0	4,917,790
Other grants	0	0	9,979,992	0	0	0	9,979,992
State and County grants	0	0	10,172,202	0	0	0	10,172,202
Investment income	0	0	0	5,208,224	3,160,176	0	8,368,400
Unrealized Gains (Losses) on Investment	0	0	0	2,294,024	3,539,671	0	5,833,695
Interest on mortgage & construction loans receivable	0	0	0	16,164,692	10,630,494	(8,041,670)	18,753,516
Dwelling Rental	804,112	43,897,264	5,076,036	0	0	0	49,777,412
Dwelling units sale/loss	0	0	0	0	0	0	0
Management fees and other income	13,946,606	2,189,566	1,740,564	55,562	0	(11,405,386)	6,526,912
Total Operating Income	\$14,750,718	\$46,086,830	\$101,391,756	\$23,722,502	\$17,330,341	(\$19,447,056)	\$183,835,091
Expenses:							
Housing Assistance Payments	0	0	70,309,504	0	0	0	70,309,504
Administration	10,615,532	8,562,278	16,522,136	1,534,682	2,791,264	(7,460,830)	32,565,062
Maintenance	1,081,954	8,938,496	4,451,412	4,250	0	0	14,476,112
Depreciation and amortization	925,372	7,911,470	3,691,438	0	0	0	12,528,280
Utilities	253,528	3,238,518	1,413,460	0	0	0	4,905,506
Fringe benefits	2,859,684	669,804	3,740,112	0	0	0	7,269,600
Interest Expense	0	11,231,404	0	19,669,580	12,881,886	(8,041,670)	35,741,200
Other	357,014	3,062,948	3,270,132	48,150	53,724	(3,944,556)	2,847,412
Bad Debt Expense	0	338,950	142,548	0	0	0	481,498
Total Operating Expenses	\$16,093,084	\$43,953,868	\$103,540,742	\$21,256,662	\$15,726,874	(\$19,447,056)	\$181,124,174
Operating Income (loss)	(\$1,342,366)	\$2,132,962	(\$2,148,986)	\$2,465,840	\$1,603,467	\$0	\$2,710,917
Non-operating revenues (expense):							
Other Grants	0	36,654	0	0	0	0	36,654
State and County grants	0	733,530	0	0	0	0	733,530
Investment income	895,980	609,698	145,652	0	0	0	1,651,330
Unrealized Gains (Losses) on Investment	0	0	0	0	0	0	0
Interest on mortgage & construction loans receivable	16,196	0	0	0	0	0	16,196
Interest Expense	(179,056)	0	0	0	0	0	(179,056)
Total Non-operating Income (Loss)	\$733,120	\$1,379,882	\$145,652	\$0	\$0	\$0	2,258,654
Capital Contributions	\$0	\$0	\$1,768,418	\$0	\$0	\$0	1,768,418
Ending Fund Balance: 6/30/09 est.	\$14,218,581	\$62,104,601	\$74,742,472	\$22,743,924	\$26,891,911	(\$8,626,664)	\$192,074,825
Estimated Change in Fund Balance	(\$609,246)	\$3,512,844	(\$234,916)	\$2,465,840	\$1,603,467	\$0	\$6,737,989
Budgeted Fund Balance: 6/30/10 est.	\$13,288,421	\$64,538,371	\$74,742,472	\$26,202,471	\$28,339,273	(\$8,626,664)	\$198,484,344
Budgeted Change in Fund Balance for FY 2010	(\$930,160)	\$2,433,770	\$0	\$3,458,547	\$1,447,362	\$0	\$6,409,519

Multi-Family Bond Fund: The estimated change in fund balance from FY 2008 to FY 2009 of \$2,465,840 or 12% is due to anticipated unrealized gains on investments offset in part by an increase in interest expense.

In FY 2009, the Multi-Family fund anticipates unrealized gains on investments of \$2,294,024 compared to losses of \$649,895 million in FY 2008. In FY 2009 interest expense is expected to increase by approximately \$500,000. For FY 2010, the budgeted change is the result of a three-year rolling average applied to both interest income and interest expense.

Glossary

List of Commonly Used Terms

9% Tax Credit

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

501(c)(3)

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

Accreted Value

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

Accrual Basis

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

Acquisition Without Rehabilitation (AWOR)

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

Acronym

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

Admissions & Occupancy Policy (A & O Policy)

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

Agency

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

American Dream Downpayment Initiative (ADDI)

ADDI is a special closing cost and downpayment

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

Americans with Disabilities Act (ADA)

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

Annual Growth Policy

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

Arbitrage

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

Arbitrage Rebate

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

Area Median Income

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

area median income as defined by the Department of Housing and Urban Development (HUD). The 2009 area median income is \$102,700 for a family of four.

Appropriation

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

Asset

Any possession that has value in an exchange.

Balanced Budget

A budget in which revenues equal expenses.

Basis Point

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

Bond

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

Bond Cap

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

Bond Proceeds

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

Bond Purchase Agreement

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

Bond Rating

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

Budget

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

CAFR

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

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

Capital Budget

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

Capital Expenses

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

Capital Fund Program

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

Capital Improvements Program (CIP)

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

Capital Plan

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

Carryover

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

Cash Flow Analysis

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

several different sets of assumptions.

Closed Indenture

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

Closing Cost Assistance Program

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

Commission

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

Commitment Fees

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

Community Development Block Grant Program (CDBG)

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

Community Partners

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

Compensation

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

Congregate Housing

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

Contingency

A budgetary reserve set aside for emergencies or

unforeseen expenditures not otherwise budgeted.

Continuing Disclosure Agreement

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

Conventional Mortgage

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

Cost of Issuance (COI)

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

Cost of Living Adjustment (COLA)

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

Coupon

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

Coupon Rate

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

Credit Enhancement

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

Davis-Bacon

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

Default (Bond)

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

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

Department of Business and Economic Development (DBED)

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

Debt Service

The annual payment of principal and interest on bonded indebtedness.

Deficit

An excess of expenditure over revenue.

Department of Housing & Community Affairs (DHCA)

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

Department of Housing and Community Development (DHCD)

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

Department of Housing and Urban Development (HUD)

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

Development Corporation

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

Development Fees

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

Draw Down

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

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

Due Diligence

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

Economic Occupancy

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

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

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

Equal Employment Opportunity (EEO)

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

Equal Housing Opportunity (EHO)

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

Equity Capital

Money received in exchange for ownership interest of a property.

Existing Property Acquisition

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

Expenditure

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

Face Amount

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

Fair Housing Act

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

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

Fair Market Rent (FMR)

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

Family Self-Sufficiency (FSS)

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

Family Self-Sufficiency Mentoring Project

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

Family Unification Program (FUP)

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

Fannie Mae

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

Federal Housing Administration (FHA)

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

FHA Mortgage

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

FHA Risk Sharing Program

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

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

Fiscal Year

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

Freddie Mac

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

Free Cash Flow

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

Full-time Equivalent (FTE)

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

Fund

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

Fund Balance

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

Governmental Accounting Standards Board (GASB)

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

General Obligation (GO) Bonds

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

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

General Partner

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

Generally Accepted Accounting Principles (GAAP)

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

Geographical Information Systems (GIS)

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

GFOA

Government Finance Officers Association.

GNMA

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

Good Neighbor Policy

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

Gross Rent Potential

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

Grant

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

Guaranteed Investment Contract (GIC)

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

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

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

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

Heating, Ventilation and Air Conditioning (HVAC)

An acronym common in facilities and property management projects.

HO&C

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

HOC/HOP

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

Homeownership Assistance Loan Fund (HALF)

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

HOME

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

Housing Assistance Payments (HAP)

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

Housing Choice Voucher (HCV) Program

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

Housing Resource Service (HRS)

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

market information to citizens of Montgomery County.

Housing Initiative Fund (HIF)

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

Housing Opportunities for Persons With HIV/AIDS (HOPWA)

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

Indenture

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

Indirect Cost

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

Internal Rate of Return

The rate of return of an uneven cash flow.

Jesup Blair House

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

Letter of Credit

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

Leverage

Using existing resources in exchange for a greater benefit.

Limited Partnership

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

Maturity Date

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

McHOME Program

A locally developed program in which MPDUs are

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

McKinney-Vento Homeless Assistance Act

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

Mission Statement

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

Moderately Priced Dwelling Unit (MPDU) Law

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

Modified Accrual Basis

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

Mortgage Purchase Program (MPP)

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

Mortgage-backed Securities (MBS)

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

Multi-Family Mortgage Revenue Bonds

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

National Association of Housing and Redevelopment Officials (NAHRO)

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

Open Indenture (also known as Parity Indenture)

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

Operating Budget

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

Operating Expenses

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

Opportunity Housing

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

Opportunity Housing Property Reserves

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

Opportunity Housing Reserve Fund (OHRF)

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

Par Value

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

Paradigm

A philosophical or theoretical framework of any kind.

Parity Indenture

See Open Indenture.

Partnership Rental Housing Program (PRHP)

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

Pay Grade

Salary level or range for each personnel classification.

Payment in Lieu of Taxes (PILOT)

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

Performance Measures

Quantified indication of results obtained from budgeted activities.

Personal Living Quarters (PLQ)

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

Personnel Complement

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

Planning Board

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

Pool Insurance

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

Pre-Ullman

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

Present Value

The value today of a sum at a future date.

Price (Bond)

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

Principal

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

Proforma

A comprehensive financial analysis of a project.

Program Budget

A budget which structures budget choices and

information in terms of programs and their related work activities.

Program Objective

Intended results or outcomes.

Public Housing

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

Public Housing Homeownership Reserves

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

Public Housing Management Assessment Program (PHMAP)

A national set of performance indicators for Public Housing agencies.

Quasi

Having some resemblance, usually by possession of certain attributes.

Rating Agency

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

REAC

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

Rebate

See Arbitrage rebate.

Redemption

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

Redemption Provision (Bond)

The terms of the bond giving the Issuer the right or requiring the Issuer to redeem or call all or a portion of an outstanding issue of bonds prior to

their stated dates of maturity at a specified price, usually at or above par.

Refunding

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

Resident Advisory Board (RAB)

The umbrella organization to the Commission on resident related issues. RAB provides forums for resident input on HOC policies and practices, participates in the planning of programs, services, and activities benefiting residents, and prepares testimony, makes recommendations and acts as advocate on behalf of HOC residents and low-income and moderate-income County residents.

Rental Allowance Program (RAP)

A State program which provides emergency rental subsidies for very low-income households (under \$15,000).

Rental Housing Production Program (RHPP)

A State program providing loans or grants for acquisition, rehabilitation, new construction, or rental subsidies. Participating households must meet program income guidelines.

Reserve

An account used to indicate that a portion of a fund's balance is restricted to a specific purpose.

Revenue Bond

A bond on which the debt service is payable solely from the revenue generated from the operation of the project being financed.

Salary Lapse

An estimated reduction from total personnel costs to account for savings due to employee turnover and delayed hiring for new positions.

Salary Schedule

A listing of minimum and maximum hourly wages and salaries for each grade level in a classification plan for merit system positions.

Section 202

A Federally funded program providing capital and rent assistance to non-profits for housing meant for very low-income elderly and persons with disabilities.

Section 221(d)(3)

This Federal program provided market financing and mortgage insurance for privately owned multi-family housing. The Federal Government must approve rehabilitation of these properties.

Section 236

A Federal housing program in which eligible households pay either a minimum basic rental rate or 30% of their income, whichever is higher. The Federal subsidy is in the form of mortgage insurance and an interest reduction payment to the owners of the properties.

Section 3

Section 3 is a provision of the Housing and Urban Development (HUD) Act of 1968 which requires that recipients of certain HUD financial assistance provide job training, employment, and contract opportunities for low- or very-low income residents in connection with projects and activities in their neighborhoods.

Section 5(h) Program

The section 5(h) program is authorized in the United States Housing Act of 1937. The program permits a PHA to sell all or part of a public housing project to its residents without impacting the Federal Government's commitment to pay annual subsidies for that project. HUD approved HOC's 5(h) plan in December 1994. HOC converted 31 Turnkey III Units to the 5(h) program for the purpose of selling them to residents. The 5(h) program includes or has included units at Bel Pre Square, Hermitage Park, Tobytown, and two scattered-site developments.

Section 504

Section 504 of the Rehabilitation Act of 1973 prohibits discrimination on the basis of disability in any program or activity that receives financial assistance from any federal agency, including HUD. Section 504 provides the legal basis for a reasonable accommodation for a participant in or an applicant to HOC's federally assisted programs.

Section Eight Management Assessment Program (SEMAP)

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

Service-Linked Housing

A State grant providing intensive on-site counseling and social services to residents to reduce potential homelessness and increase self-sufficiency.

Servicing Agreement

The Agreement between the Issuer, the Trustee, and the Lenders which explains the terms under which mortgage loans will be purchased by the Servicer or Master Servicer as well as the

responsibilities of the Servicer throughout the life of the mortgage loans.

Single Family Mortgage Purchase Program (SFMPP)

A program providing mortgage loans at below market rates to eligible borrowers. HOC issues tax-exempt mortgage revenue bonds and purchases mortgages from lenders with the proceeds of the bond issue.

Shelter Plus Care Program

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

Stabilization

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

State Partnership Rental Housing Program

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

Strategic Plan

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

Supportive Housing Program

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

Tax credit

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

Tax exempt bonds

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

Taxable bonds

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

Tax Credit Partnership

A limited partnership set up to acquire low-income

housing in accordance with the Federal low-income tax credit program.

Ten Year Rule

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

Thirty-Two Year (32) Rule

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

Turnkey

An early Federal Public Housing homeownership program. Residents pay 30% of their income to rent, and parts of the funds are placed into various escrows to be used towards purchase.

Turnkey Debt Forgiveness

Proceeds from the sale of the Public Housing homeownership units. The Federal Government forgives the debt on these units but restricts the use of the proceeds to Public Housing and other affordable housing projects.

Underwriter's Fee

The compensation paid to the underwriting team for structuring and marketing a bond issue. The underwriter's fee is sometimes paid as a separate

fee or sometimes as a discount on the purchase price paid by the underwriters for the bonds.

Underwriting

In general, an evaluation process to approve or reject a loan. It involves the review of the borrower's credit, employment, assets and the property. HOC also has an underwriting team which sells the bonds it issues.

United Black Fund

A United Way-related agency which provides grants to organizations helping African-Americans.

Unrealized Gains or Losses

An increase/decrease in the value of an asset that is not "real" because the asset has not been sold.

User Fees

Fees paid for direct services, i.e., day care fees.

Volume Bond Cap (See Bond Cap)

Violence Against Women Act (VAWA)

Among other provisions addressing violence prevention programs and services, VAWA, reauthorized by Congress in 2005, prohibits housing providers from denying admission to, terminating, or evicting a household solely based on the fact that a family member is a victim of domestic violence. HOC has adopted specific policies that are in compliance with VAWA.

Work Force Housing

A term that means affordable housing for households with incomes at or below 120 percent of the area-wide median income.

Work Year (WY)

Approximately 2,080 hours or 260 days. This is the number of hours of work for a full-time position.

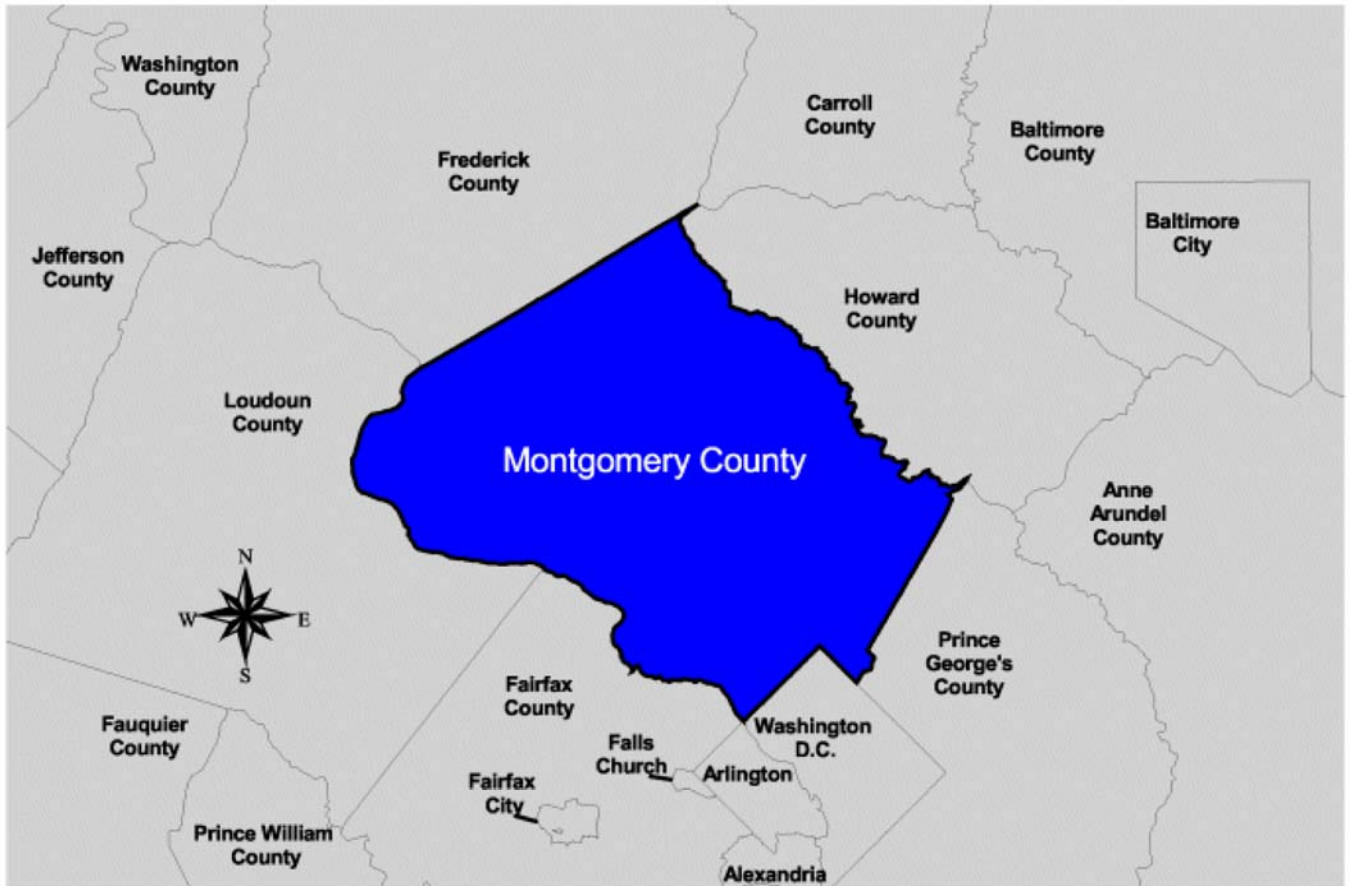
Yield

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

Frequently Used Acronyms

A & O	Policy Admissions and Occupancy Policy	HALF	Homeownership Assistance Loan Fund
ACOP	Admissions and Continued Occupancy Policy	HAP	Housing Assistance Payments
ADA	The Americans with Disabilities Act	HCV	Housing Choice Voucher Program
AGP	Annual Growth Policy	HO&C	Housing Opportunities and Concepts
AWOR	Acquisition Without Rehabilitation	HOC/HOP	HOC Home Ownership Program
CFP	Capital Fund Program	HRS	Housing Resource Service
CIP	Capital Improvements Program	HIF	Housing Initiatives Fund
CDBG	Community Development Block Grant	HOC	Housing Opportunities Commission
COMP Grant	Comprehensive Grant Program	HOPWA	Housing Opportunities for Persons with HIV/AIDS
COI	Cost of Issuance	HQS	Housing Quality Standards
COLA	Cost of Living Adjustment	IT	Information Technology
DBED	Department of Business and Economic Development	MPDU	Moderately Priced Dwelling Unit
DHCA	Department of Housing and Community Affairs	MPP	Mortgage Purchase Program
DHCD	Department of Housing and Community Development	NAHRO	National Association of Housing and Redevelopment Officials
HUD	Department of Housing and Urban Development	OHRF	Opportunity Housing Reserve Fund
EEO	Equal Employment Opportunity	PHMAP	Public Housing Management Assessment Program
EHO	Equal Housing Opportunity	PRHP	Partnership Rental Housing Program
EIV/UIV	Enterprise Income Verification (EIV)/ Upfront Income Verification (UIV)	PILOT	Payment in Lieu of Taxes
FHA	Federal Housing Administration	PLQ	Personal Living Quarters
FMR	Fair Market Rent	RAB	Resident Advisory Board
FSS	Family Self Sufficiency	RAP	Rental Allowance Program
FTE	Full Time Equivalent - See WY	RHPP	Rental Housing Production Program
FUP	Family Unification Program	RIF	Reduction in Force
GAAP	Generally Accepted Accounting Principles	RUIT	Rent, Utilities, Insurance, and Taxes
GASB	Governmental Accounting Standards Board	SFMPP	Single Family Mortgage Purchase Program
GIC	Guaranteed Investment Contract	SHRAP	Supportive Housing Resident Assistance Program
GIS	Geographical Information System	TIP	Tenant Integrity Program
HHS	Health and Human Services of Montgomery County	TEMHA /RAP	Transitional, Emergency, Medical and Housing Assistance/Rental Allowance Program
		VAWA	Violence Against Women Act
		WY	Work Year

Montgomery County, MD and Vicinity



Legend
■ Montgomery County Boundary
■ MD and VA Counties



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

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