Housing Opportunities Commission
OF MONTGOMERY COUNTY




Adopted Budget
Fiscal Year 2015-2016

GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

Housing Opportunities Comm. of Montgomery County

Maryland

For the Fiscal Year Beginning

July 1, 2013

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, 2013.

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 4, 2014

From Stacy L. Spann, Executive Director

Overview

The FY 2015-2016 HOC Budget reflects the progress of HOC from an agency reliant on public funding to one on a path to financial stability. Despite some challenging externalities, HOC continues to make significant progress towards this new model.

The Agency continues to seek avenues to reduce reliance on federal and other public monies. In FY 2014, HOC successfully applied to participate in the Rental Assistance Demonstration (RAD) program. The RAD program will allow HOC to convert existing multifamily Public Housing properties to a more secure project-based voucher subsidy.

Simultaneously, HOC continues to transition 669 Scattered Site Public Housing units to voucher funding, de-coupling the Agency from an unwieldy regulatory environment while continuing to serve clients of very low, low, and moderate incomes.

The shift away from Public Housing is a critical step if HOC is to remain financially viable over the long term. There is a growing consensus in the affordable housing industry that the future of Public Housing is uncertain. Voucher funding, while more stable, is not safe in the long term either.

To prepare for these eventualities, HOC must utilize a new set of tools and new approaches. The Agency must approach operations and portfolio management as a private developer would. Each property must be evaluated on the basis of its financial performance. As appropriate, the Agency may opt to redevelop properties and possibly add market rate units to increase revenue streams. The bottom line is that for HOC to continue providing high quality, well designed, energy efficient affordable housing and strong supportive services for Montgomery County, the Agency must adapt to a new operating structure that is financially sustainable and competitive within the rental marketplace.

Although the elimination of Public Housing and other federal programs may be years away, lawmakers at every level of government continue to struggle with competing budget considerations.

The impact in FY 2014 from sequestration was significant but not as damaging as projected due to Congressional efforts to avoid secondary sequestration measures from moving forward. However, the regulatory environment continues to require administrative measurements that are largely unnecessary in light of funding reductions. HOC must continue to communicate opportunities for improved efficiencies both to our elected officials and our partners at the U.S. Department of Housing and Urban Development.

In Annapolis, lawmakers are faced with similar fiscal challenges and FY 2014 had its share of both

Special points of interest:

"The FY 2015-2016 HOC Budget reflects the progress of HOC from an agency reliant on public funding to one on a path to financial stability."

accomplishment and disappointment. Governor O'Malley's Rental Housing Works (RHW) initiative passed the House of Delegates in late February. The RHW legislation is important for HOC and agencies across the state because it greatly simplifies the process for application and participation in the many programs available through the Maryland Department of Housing and Community Development (MDHCD). However, Public Housing Authorities continue to press officials at the MDHCD to ensure favorable treatment and access to the RHW capital without additional requirements. After a very promising start, the Maryland HOME Act was abandoned for this legislative session after advocates and landlord groups were unable to successfully negotiate a compromise bill. The HOME Act seeks to create a new statewide law which would codify a law already on the books in Montgomery County which prohibits discrimination in rental applications based on source of income.

Our partners in Montgomery County continue to be very supportive of HOC initiatives, particularly with respect to partnerships that serve the most vulnerable in our community. Their continued support and creative vision are critically important in fulfilling our mission. Because HOC must increasingly pursue alternative methods and projects, HOC will be asking more of our local officials, if not in terms of funding then in the zoning and legislative arenas. This approach also requires that the Agency be even more vigilant of new legislation that could create unnecessary and unreasonable obstacles to the production of affordable housing in the County.

FY 2014

In FY 2014, HOC continued to evolve towards the new business model envisioned in the Agency's Strategic Plan.

Over the past year, HOC has made considerable progress with the conversion of the disposition units. It is anticipated that by the end of FY 2014, more than 500 of the 669 units will have transitioned to voucher funding.

In FY 2014, HOC opened ten Housing Unit Based (HUB) offices located throughout the County. These offices allow the Agency to collect rent, process paperwork and provide maintenance service closer to where our clients live. In addition to the improved service response times, HOC will realize savings in fuel consumption across our entire fleet of vehicles.

Clients also benefited in FY 2014 from the launch of 22 cloud-based computing centers. HOC is the first Public Housing Authority in the nation to offer such a service. More than 2,000 households are now able to search for employment, complete homework assignments and improve overall computer proficiency. The launch of the cloud centers will also support the next phase of the HOC Academy, which will deliver robust educational and employment training opportunities for clients. All of this is accomplished without increasing the Agency's capital expenses.

The Agency is closing in on the launch of a new Property Assessment Tool (PAT) that will allow the Agency to accurately assist in evaluating and optimizing our portfolio based on the actual quantitative, qualitative, and compliance performance data of each property. Using the PAT will not only help HOC manage existing assets but also evaluate potential acquisition opportunities.

In FY 2014, HOC scored major successes through partnerships with Eakin, Youngentob and Associates (EYA) and Lee Development Group to redevelop the Chevy Chase Lake and Elizabeth House properties, respectively. The partnership with EYA, in which the Agency negotiated the sale of a portion of the site to EYA, is projected to yield $19-24 million for HOC. Redevelopment plans for the site will almost triple the number of HOC owned units and nearly quadruple the number of affordable units on site from its current configuration. The successful transaction and development plan for Chevy Chase Lake provide a strong blueprint for the future redevelopment of HOC owned properties. Additionally, the partnership with the Lee Development Group allows us to transform and completely reposition an aging and functionally obsolete property sorely in need of new systems and operating life.

FY 2015-2016

HOC will continue the reorganization of the Agency with the restructuring of the Resident Services division. Along with the cloud computing centers and the rollout of the HOC Academy, HOC will formally enact HOC Works, the Agency's Section 3 program, to benefit clients seeking employment and HOC

Connects, an initiative to help low-income HOC clients purchase laptop computers

The Real Estate Development team will continue to evaluate HOC's portfolio as well as identify opportunities which could yield additional affordable housing for Montgomery County. Special attention will be given to opportunities that already exist in the Agency portfolio in terms of redevelopment, although the team will continue to be opportunistic in search of acquisition possibilities.

Property Management will continue to play a key role in the fiscal health of the Agency and great emphasis is placed on timely collection and processing of rent payments. Much of this effort relies on focused and disciplined property management and maintenance efforts. As new and rehabilitated product is brought on line, the Property Management team is critical in ensuring that the useful life is maximized and that the Agency liaises with our residents to provide the proper support.

This page intentionally left blank.

Budget Highlights

Adopted Budget
June 4, 2014

FY 2015-2016 Budget Highlights

Real Estate Development

This fiscal year will reflect a singular focus on community building within the context of the HOC Real Estate Portfolio. This effort will be driven through two basic principles: revitalization and regeneration. The HOC's revitalization efforts will focus on the modernization of the physical improvements to the new and comprehensive HOC design standards and efficiency guidelines. As a result of this implementation more of the portfolio will be safe, highly amenitized and desirable for our residents. Regeneration will focus more deeply on the people in the communities HOC serves. HOC will direct its efforts around building partnerships with existing residents and neighbors to honor the sacredness of the created space and transform it without excluding or displacing long-term community members. This effort will require creative thinking, innovative partnerships and patience to implement, but the results will create a model that is scalable and welcomed throughout the County.

The Rental Assistance Demonstration (RAD) project has been a catalyst for much of the development activity currently planned in the pipeline. RAD combined with the Section 18 Disposition of the 669 Scattered Sites units will transform many of the small cluster properties owned by the agency, as well as a significant number of the scattered sites units in HOC's portfolio. These units provide the closest value proposition to home ownership for many of our families, providing them with homes and yards that can accommodate children and foster a sense of place and security. Stabilizing and improving these assets will stabilize our families and allow them to focus on education, employment and other opportunities that may allow them to exit our housing and transition into independent living in market rate housing.

As the Commission continues to implement the conversion of its Public Housing under RAD, the entire 877 multifamily and elderly units will convert to Project Based Section 8 Subsidy. The entire portfolio will be renovated to new standards that will be transformative, energy efficient, and sufficient to meet the backlog of capital needs.

Further, the entire multifamily portfolio is under review to identify opportunities for the expansion of the stock of affordable housing and continued stabilization of existing communities. Where master and sector plans are being revised throughout the County, HOC, because of its prolific ownership in almost all Montgomery County planning areas, will be presented with opportunities to redevelop its sites on its own or in collaboration with private developers. Such opportunities have thus far been identified in White Oak, Sandy Spring, Bethesda, Long Branch, Lyttonsville, Chevy Chase, and Westbard.

The groundswell of real estate activity is further detailed in the Capital Development Project section. However, a significant noteworthy event must be highlighted—the completion of the Tanglewood renovation. HOC was awarded a $1.29 million annual allocation of 9% Low Income Housing Tax Credits from the Maryland Department of Housing and Community Development (DHCD) which generated $14.21 million of equity for the refinancing and substantial renovation of 132 units at Tanglewood and Sligo Hills Apartments in Silver Spring. Construction began in January 2013 and was completed ahead of schedule in January 2014. While there were challenges, the newly renovated property is the oasis in a desert of older and in-need-of renovation family apartments. The Long Branch Sector Plan, it is hoped, may spur investment in these properties; but again, HOC has shown leadership in its efforts to stabilize and revitalize a community in need.

Mortgage Finance

The Mortgage Finance Division continues to operate in an environment that has experienced significant turbulence since the disruptions in the housing and the financial markets in 2008. Although both continue to show signs of recovery, the financial system is still very fragile and housing finance agencies are still challenged in their efforts to raise capital to finance affordable housing. At the peak of the crisis in October 2009, the Federal government introduced a Housing Finance Agency Initiative, which was implemented by the U.S. Treasury Department in conjunction with Fannie Mae and Freddie Mac. The two components of the program: 1) Temporary Credit and Liquidity Program (TCLP), and 2) New Issue Bond Program (NIBP) were instrumental in alleviating liquidity pressures as well as raising capital for affordable housing projects. The Commission has now exited all TCLP facilities and fully utilized its entire NIBP allocation.

The economy has been experiencing a period of very low interest rates driven by efforts of the Federal Government to stimulate growth in the economy. This has resulted in relatively higher borrowing cost for the Commission as the spread between conventional and municipal housing bonds remains wide. This has also made the municipal bond product unattractive to private developers of affordable housing, forcing them to explore other market alternatives. Therefore, HOC's lending activity has slowed and it has also seen a number of prepayments as developers refinance into lower cost products. The Mortgage Finance Program typically completes two to four bond issuances each year, but its recent Multifamily activity has been that of the refunding of existing debt versus new issuance. Similarly, the issuance of single family mortgage revenue bonds is not competitive in the current environment.

In 2013, the Commission, in conjunction with the Department of Housing and Urban Development's Rental Assistance Demonstration (RAD) program, embarked on an initiative to convert the Agency's Public Housing to Project Based Voucher subsidy, thereby allowing the Commission to exit the traditional Public Housing program. This effort will present an opportunity for the Mortgage Finance Division, through the issuance of tax-exempt financing, to participate in the rehabilitation or redevelopment of all 11 multifamily developments in the Public Housing portfolio, with an emphasis on green, high quality, amenity rich rehabilitation to meet the needs of the residents and to clear a large and long backlog of capital needs.

In FY 2015 and 2016, Mortgage Finance will continue to contribute Commitment Fees, Loan Management Fees, and other overhead revenue to the Agency's Operating Budget. The next two fiscal years will continue to present challenges: a changed financial and real estate market landscape; competition for development and acquisition opportunities in Montgomery County; pressures on tax exempt yields; and, limited access to soft debt to support affordable housing. Further, interest rates are expected to trend upward as the Federal Government tapers off its quantitative easing, making plans to finance several multifamily development in FY 2015 and FY 2016 more challenging. The challenges notwithstanding, efforts are underway to identify alternative funding sources for new and existing multifamily developments in the county. The Multifamily program anticipates completing at least two bond issuances in FY 2015 from which approximately $79.4 million in new mortgage proceeds is expected.

In the Single Family program, the housing market has shown signs of improvement reflected in increased property values and resale prices and shorter time periods on the market. However, delinquencies and foreclosures continue to plague the sector. On May 5, 2012, the Commission approved a proposal to add a Mortgaged Backed Securities (MBS) option to the Single Family Mortgage Purchase Program and approved U.S. Bank National Association as the Master Servicer for the program. The Commission now purchases guaranteed mortgage securities rather than whole loans. Servicing rights and responsibilities are transferred to U.S. Bank, thereby reducing delinquency and foreclosure risks for the Commission while continuing to provide low cost mortgages to Montgomery County residents.

The MBS program is now fully implemented and since its implementation, the Commission has been delivering MBS' that are guaranteed by Ginnie Mae for Federal Housing Administration (FHA) insured loans. In July 2014, Fannie Mae approved five local Housing Finance Agencies (HFAs) to participate in its HFA Preferred MBS program that will now allow the Commission to reenter the conventional market and deliver MBS' created from conventional mortgages. This will expand activity in the single family program until municipal market conditions again allow for the issuance of mortgage revenue bonds. It is still not advantageous to finance mortgages with tax-exempt bonds. In FY 2015, the Single Family Program is expected to continue to operate completely in the MBS secondary market without bond funds. There are no single family bond issuances planned for FY 2015 and FY 2016; however, should financial market conditions favor it, the Commission still has this as another tool that may be utilized to fund its single family program.

Property Management Division

HOC applied and was approved for the Disposition of 669 Public Housing Scattered Site units through the Public Housing Demolition and Disposition program as described in Section 18 of the Housing Act of 1937. The Disposition is expected to be complete in calendar year 2014. The program maintains long term affordability of the units and allows clients residing in the units, at the time of the Disposition, to use Housing Choice Vouchers to assist with rental expenses.

HOC also applied and was approved to participate in the Rental Assistance Demonstration Program (RAD). The RAD program will convert all multifamily properties currently receiving Public Housing subsidy to long-term project based Section 8 rental assistance contracts. A large portion of multifamily Public Housing communities will convert in late 2014, with the remaining properties transitioning over the next two years.

Federally Funded Programs – Housing Choice Voucher and Public Housing

As Montgomery County's Public Housing Authority, HOC administers a Housing Choice Voucher (HCV) Program and owns and manages Public Housing properties. HOC is authorized to provide 6,794 vouchers and manages 1,554 Public Housing units. Some of the units are in clustered family communities, some are in mid- and high-rise buildings which house seniors, and some apartments, townhouses and single family homes are scattered throughout the County.

<u>Housing Choice Voucher</u>

HUD's allocation of vouchers includes Mainstream Disabled, Moderate Rehabilitation, and Veterans Affairs Supportive Housing (VASH) vouchers. The voucher programs provide housing subsidy assistance through an array of categories such as Non-Elderly Disabled vouchers, Witness Protection vouchers and Opt-Out vouchers. Additionally, HOC supports a Voucher Homeownership program which allows eligible voucher clients to use their voucher subsidy towards mortgage payments. The FY 2015-2016 Adopted Budget was developed based on current utilization projections for FY 2014 and the preliminary funding levels provided by HUD for CY 2014 which establishes a funding level for FY 2015 and FY 2016 of $84.1 million and $86.8, respectively. The 2014 Appropriations Act requires that HUD apply a re-benchmarking renewal formula based on validated leasing and cost data in the Voucher Management System (VMS) for CY 2013 to calculate the PHA's renewal allocation. Staff anticipates allocations of new vouchers and associated funding will be limited to special projects, Disposition, or for Veterans and Disabled persons. HOC will continue to respond to funding opportunities as they are presented.

The HCV program is not excluded from reductions in HUD funding levels. The recent reductions in federal funding will directly impact program operations. HOC will continue to streamline operations and strive to provide quality customer service in an environment steep in regulation and reduced funding levels.

<u>Public Housing</u>

HOC applied and was approved for the Disposition of 669 Public Housing Scattered Site units through the Public Housing Demolition and Disposition program as described in Section 18 of the Housing Act of 1937. The Disposition is expected to be complete in 2014. The program maintains long term affordability of the units and allows clients residing in the units, at the time of the

Disposition, to use Housing Choice Vouchers to assist with rental expenses.

HOC also applied and was ultimately approved to participate in the Rental Assistance Demonstration Program (RAD). The RAD program will convert all multifamily properties currently receiving Public Housing subsidy to long-term project based Section 8 rental assistance contracts. A large portion of multifamily Public Housing communities will convert during FY 2015, with the remaining properties transitioning over the next two years.

HOC will continue to receive operating subsidy on the remaining Public Housing portfolio from HUD to bridge the gap between what residents pay in rent, which equals 30% of their adjusted gross income, and the cost of operating the units. The amount of HUD funding falls short of what is required. The FY 2015-2016 Budget was based on an 85% appropriation of eligibility and anticipates HOC will receive approximately $2.2 million and $1.1 million in operating subsidy for FY 2015 and FY 2016, respectively. The FY 2015 –2016 Adopted Budget also includes funding from Montgomery County via the County Main Grant to help offset rising utility and Home Owner Association (HOA) Fees.

HUD also provides funding for capital improvements of the units. The FY 2015-2016 budget anticipates HOC will receive an award of almost $1.8 million for FY 2015 and $1.6 million for FY 2016 from the Capital Fund Program to address these needs. In addition, Montgomery County has provided funding for capital improvements for the past several years.

County Budget

Montgomery County remains an important partner in the work of the Commission. The County provides both ongoing operating and capital support to the Commission. Most of the County's $6.6 million operating budget supported social services and programs to clients and residents. Not only does the funding create the fundamental infrastructure of that work, it is also the foundation for HOC to apply for grants to expand the reach of its supportive services. HOC's Resident Services Division leverages the County's operating support at a 3:1 ratio. The County's appropriation also supports HOC's properties, Housing Resource Service and Customer Service Centers.

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

Table of Contents

Adopted Budget
June 4, 2014

FY 2015-2016 Adopted Budget

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

This page intentionally left blank.

Reader's Guide

Budget Document Organization

The Budget of the Housing Opportunities Commission (HOC) is a lengthy document that describes the Agency's Operating and Capital Budgets. This Reader's Guide has been provided to highlight the type of information contained in the budget and to inform the reader where to find particular information. 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 2014 to FY 2015-2016.

Page v Budget Highlights

Page xiii Budget Overview

This section includes:

- Overview – Revenue and Expense Summary
- Fund Structure
- Agency Fund Description
- Budget Process
- Overview – Strategic Plan
- Operating Budget
- FY 2015-2016 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

This page intentionally left blank.

Budget Overview

Adopted Budget
June 4, 2014

Overview—Revenue and Expense Summary

Fund Summary Overview	FY 2015 Adopted Budget		
	Revenues	Expenses	Net
General Fund	$20,775,460	$21,848,520	($1,073,060)
Multifamily Bond Funds	$24,572,600	$24,572,600	$0
Single Family Bond Funds	$15,054,280	$15,054,280	$0
Opportunity Housing Fund			
Opportunity Housing Reserve Fund (OHRF)	$2,374,920	$1,080,920	$1,294,000
Restrict to OHRF	$0	$1,294,000	($1,294,000)
Opportunity Housing & Development Corporation Properties	$72,129,210	$70,623,960	$1,505,250
Public Fund			
Public Housing Fund	$4,372,370	$4,742,370	($370,000)
County Contributions towards Public Housing	$370,000	$0	$370,000
Housing Choice Voucher Program (HCVP)	$91,825,860	$93,126,760	($1,300,900)
County Contributions towards HCVP Administration	$868,710	$0	$868,710
Federal, State and County Grants	$14,548,910	$14,548,910	$0
TOTAL - ALL FUNDS	**$246,892,320**	**$246,892,320**	**$0**

Fund Summary Overview	FY 2016 Adopted Budget		
	Revenues	Expenses	Net
General Fund	$21,638,140	$21,773,640	($135,500)
Multifamily Bond Funds	$24,392,250	$24,392,250	$0
Single Family Bond Funds	$14,949,910	$14,949,910	$0
Opportunity Housing Fund			
Opportunity Housing Reserve Fund (OHRF)	$2,016,170	$1,139,080	$877,090
Restrict to OHRF	$0	$877,090	($877,090)
Opportunity Housing & Development Corporation Properties	$74,514,670	$73,671,290	$843,380
Public Fund			
Public Housing Fund	$2,186,020	$2,372,020	($186,000)
County Contributions towards Public Housing	$186,000	$0	$186,000
Housing Choice Voucher Program (HCVP)	$92,462,540	$94,026,010	($1,563,470)
County Contributions towards HCVP Administration	$855,590	$0	$855,590
Federal, State and County Grants	$14,549,800	$14,549,800	$0
TOTAL - ALL FUNDS	**$247,751,090**	**$247,751,090**	**$0**

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

Fund Structure

This section summarizes the Agency's FY 2015-2016 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 2015-2016 Budget based on funding source. These funding groups are combined into the Agency's five funds for financial statement reporting.

By approving the budget at the funding source level, the Commission can be assured that the budget reflects the external restrictions placed on the use of approximately 72% and 71% of HOC's revenue sources for FY 2015 and FY 2016, respectively, and can better analyze the relationship between the budget and the Agency's year-end financial statements. The five Funds are:

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

The **Opportunity Housing Fund**, which includes all operating, capital improvements, and capital development activity related to the opportunity housing and development corporation properties. The Opportunity Housing Reserve Fund (OHRF) is also included. The Commission reserves all funds in the OHRF for capital rather than operating expenditures.

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

There are two separate Bond Funds:

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

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

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

Agency Fund Description

General Fund	Opportunity Housing Fund	Public Fund	Bond Funds (Single & Multifamily)
Sources			
Loan Management Fees	Rental Income	Rental Income	Mortgage Interest Payments
Commitment Fees	Service Income	Service Income	Interest Income
Development Fees	State & County Rent Subsidies	Federal Subsidies & Grants	Financing Fees
Interest Income	Private Grants	State Grants	Cost of Issuance Fees
Management Fees	Interest Income	County Grants	
Asset Management Fees	Miscellaneous Income	Interest Income	
Private Grants			
Miscellaneous Income			
Insurance Premiums			
Uses			
Executive	Opportunity Housing Properties	Public Housing Properties	Multifamily Mortgage Finance
Finance	Opportunity Housing Capital Improvements	Public Housing Capital Improvements	Single Family Mortgage Finance
Real Estate	Capital Development Projects	Housing Resources	Debt Service on Bonds
Legislative & Public Affairs	Opportunity Housing Reserve Fund (OHRF)	Resident Services	
Housing Management Admin.	Development Corporation Properties		
Tax Credit Development	Development Corporation Capital Improvements		
Master Lease Payments	Homeownership Revolving Loan Funds		
Facilities & IT Capital Needs	Mortgage Payments		
Vehicle Replacement	Required Reserve Contributions		
Insurance Reserve Contributions			
Project / Grant funds included in each Agency Fund			
General	Opportunity Housing Properties	Public Housing Rental	Multifamily Bonds
Intra-Agency Allocations	Development Corporation Properties	Public Housing Homeownership	Single Family Bonds
Private Grants & Loans		Capital Fund Program	Intra-Agency Debt Service
General Partnerships		Housing Choice Voucher Programs	
		Housing Choice Voucher Special Programs	
		McKinney Grants	
		Other Federal Grants	
		Federal Pass-Through Grant	
		County Main Grant	
		Other County Grants & Loans	
		State Grants	

Basis for Budgeting

Although the Commission's fund structure resembles that of a governmental entity, the Agency's financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) on the accrual basis. The accrual method is required for the bond programs. The accrual basis of accounting recognizes transactions at the time they are incurred, as opposed to when the cash is received or spent. The Commission's budget is prepared on a modified accrual basis. A modified accrual basis recognizes revenues in the period in which they become available and measurable; expenditures are reported when the liability is incurred, if measurable, except for the following: (1) principal and interest on long-term debt are recorded when due, and (2) claims and judgments, group health claims, net pension obligations, and compensated absences are recorded as expenditures when paid with available financial resources.

Budget Adoption and Amendment

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

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

The Budget, Finance and Audit Committee of the Housing Opportunities Commission will review the recommended budget and make a recommendation to the full Commission for adoption. The Budget, Finance and Audit Committee will also review the budgets of the properties including the various development corporations.

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

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

Executive Director's Budget Authorization

The Executive Director is:

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

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

Reporting

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

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

Conclusion

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

Public Participation in the Budget Process

As a public corporation, the Housing Opportunities Commission is committed to involving citizens in the Agency's programs. The agenda for all meetings of the Commission is posted on the Agency's website at www.hocmc.org. In addition, the Commission operates an agenda information line which provides information to the public on the upcoming agenda, 240-627-9784. The Special Assistant to the Commission can be contacted directly at 240-627-9425. Civic associations are informed of the agenda items related to their concerns prior to the Commission meeting where such concerns will be discussed. Public forums are held at each meeting of the Commission to allow for citizen comments. All regular Commission meetings are held in the late afternoon.

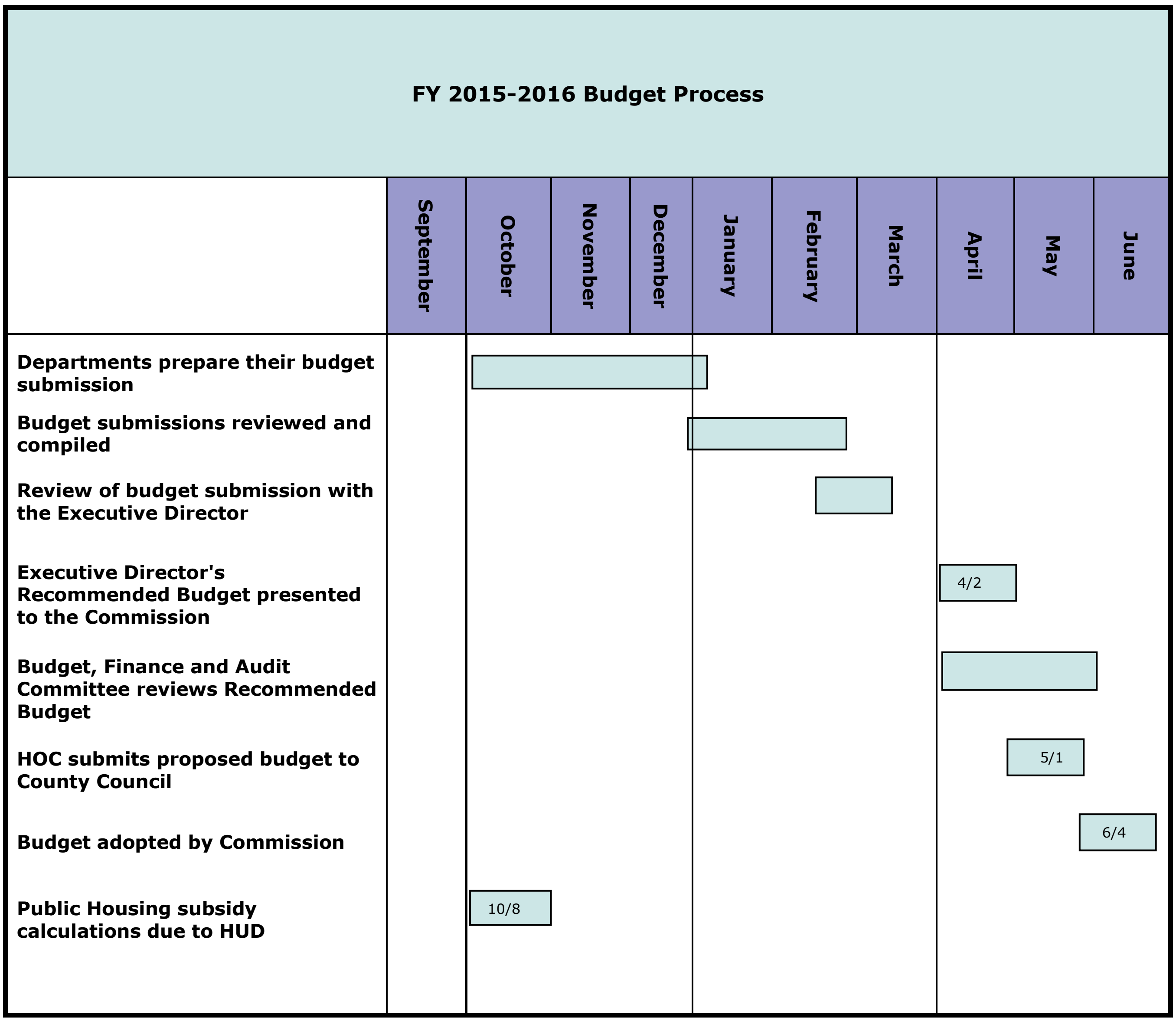
HOC's approved budget is provided to elected officials. In addition, the approved budget is made available electronically via the HOC website (www.hocmc.org).

Budget Calendar—FY 2015-2016

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 2015-2016 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 conducted its biennial review of the Strategic Plan and approved the 2013-2017 Strategic Plan at the June 6, 2012 Commission meeting.

The 2013-2017 Strategic Plan represents a departure from previous HOC Strategic Plans. As in previous plans, this Strategic Plan contains an introduction that describes the economic, political, demographic and real estate environments in which the agency operates as well as the objectives on which the agency will concentrate its efforts.

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

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

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

Operating Budget—FY 2015

HOC has an operating budget for FY 2015 of $246.9 million. Revenues are generated in two ways:

1. Grants, other funding sources, and the cash flow from HOC properties generate 81.68% of total revenues.
   - $74.1 million (30.01%) is from property rents and service income.
   - $106.2 million (43.04%) is from Federal, State and County grants.
     - $96.6 million (39.15%) is from Federal grants, which includes $85.0 million in HUD Housing Choice Voucher Assistance Payments that are passed through to Montgomery County landlords, for which HOC earns administrative fees.
     - $9.4 million (3.82%) 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.
     - $.2 million (.07%) is from various State grants.
   - $21.3 million (8.63%) is from management fees and miscellaneous income.
2. Non-operational income derived from HOC's bond-financing operation, real estate financing fees and interest earned on investments generate 18.32% of total revenues.
   - $36.6 million (14.81%) is from mortgage interest income which pays the debt service on HOC housing revenue bonds and interest earned on cash investments.
   - $8.7 million (3.51%) is from miscellaneous bond financing operations and transfers between funds.

FY 2015 Revenue and Expense Statement

Operating Budget		Non-Operating Budget	
Operating Income		**Non-Operating Income**	
Tenant Income	$73,067,240	Investment Interest Income	$36,570,400
Non-Dwelling Rental Income	$1,030,570	FHA Risk Sharing Insurance	$573,150
Federal Grant	$96,655,690	Transfer Between Funds	$8,097,390
State Grant	$173,690		
County Grant	$9,415,510		
Management Fees	$20,906,830		
Miscellaneous Income	$401,850		
TOTAL OPERATING INCOME	**$201,651,380**	**TOTAL NON-OPERATING INCOME**	**$45,240,940**
Operating Expenses		**Non-Operating Expenses**	
Personnel Expenses	$37,477,930	Interest Payment	$42,796,720
Operating Expenses - Fees	$14,680,720	Mortgage Insurance	$867,460
Operating Expenses - Administrative	$7,286,790	Principal Payment	$8,083,970
Tenant Services Expenses	$4,227,460	Operating and Replacement Reserves	$7,872,800
Protective Services Expenses	$699,710	Restricted Cash Flow	$7,829,940
Utilities Expenses	$5,716,170	Development Corporation Fees	$6,506,410
Insurance and Tax Expenses	$1,529,750	Miscellaneous Bond Financing Expenses	$1,705,780
Maintenance Expenses	$7,119,010	FHA Risk Sharing Insurance	$573,150
Housing Assistance Payments (HAP)	$87,280,410	Transfer Out Between Funds	$4,638,140
TOTAL OPERATING EXPENSES	**$166,017,950**	**TOTAL NON-OPERATING EXPENSES**	**$80,874,370**
NET OPERATING INCOME	**$35,633,430**	**NET NON-OPERATING ADJUSTMENTS**	**($35,633,430)**

Operating Budget—FY 2016

HOC has an operating budget for FY 2016 of $247.8 million. Revenues are generated in two ways:

1. Grants, other funding sources, and the cash flow from HOC properties generate 82.77% of total revenues.
   - $75.5 million (30.48%) is from property rents and service income.
   - $107.8 million (43.51%) is from Federal, State and County grants.
     - $97.9 million (39.53%) is from Federal grants, which includes $87.7 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 (3.91%) 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.
     - $.2 million (.07%) is from various State grants.
   - $21.8 million (8.78%) is from management fees and miscellaneous income.
2. Non-operational income derived from HOC's bond-financing operation, real estate financing fees and interest earned on investments generate 17.23% of total revenues.
   - $36.1 million (14.56%) is from mortgage interest income which pays the debt service on HOC housing revenue bonds and interest earned on cash investments.
   - $6.6 million (2.67%) is from miscellaneous bond financing operations and transfers between funds.

FY 2016 Revenue and Expense Statement

Operating Budget		Non-Operating Budget	
Operating Income		**Non-Operating Income**	
Tenant Income	$74,402,060	Investment Interest Income	$36,082,810
Non-Dwelling Rental Income	$1,110,640	FHA Risk Sharing Insurance	$573,150
Federal Grant	$97,942,100	Transfer Between Funds	$6,036,280
State Grant	$173,690		
County Grant	$9,691,240		
Management Fees	$21,302,220		
Miscellaneous Income	$436,900		
TOTAL OPERATING INCOME	**$205,058,850**	**TOTAL NON-OPERATING INCOME**	**$42,692,240**
Operating Expenses		**Non-Operating Expenses**	
Personnel Expenses	$38,698,250	Interest Payment	$42,497,440
Operating Expenses - Fees	$14,878,990	Mortgage Insurance	$906,680
Operating Expenses - Administrative	$7,251,660	Principal Payment	$8,159,110
Tenant Services Expenses	$4,277,400	Operating and Replacement Reserves	$6,830,760
Protective Services Expenses	$701,250	Restricted Cash Flow	$7,563,380
Utilities Expenses	$5,268,300	Development Corporation Fees	$7,501,470
Insurance and Tax Expenses	$1,677,720	Miscellaneous Bond Financing Expenses	$1,748,260
Maintenance Expenses	$6,796,900	FHA Risk Sharing Insurance	$573,150
Housing Assistance Payments (HAP)	$87,918,960	Transfer Out Between Funds	$4,501,410
TOTAL OPERATING EXPENSES	**$167,469,430**	**TOTAL NON-OPERATING EXPENSES**	**$80,281,660**
NET OPERATING INCOME	**$37,589,420**	**NET NON-OPERATING ADJUSTMENTS**	**($37,589,420)**

This page intentionally left blank.

Section 1:

SUMMARY

Tab

Summary

Adopted Budget
June 4, 2014

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:

Strategic Plan Goals

HOC relies on its Strategic Plan for direction and focus. The Commission conducted its biennial review of the Strategic Plan and approved the 2013—2017 Strategic Plan at the June 6, 2012 Commission meeting. It concentrates HOC's efforts on developing and implementing solutions to the problem of meeting the County's ever-expanding need for affordable housing.

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

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

Implementation Actions:

- Execute a communications plan to convey a new vision of HOC.
- Establish and create an identity for specific properties separate and distinct from HOC by creating property-specific websites and

marketing materials.

- Promote HOC's mixed income strategy as a vehicle that can generate market-rate revenue to subsidize deeper affordability throughout its portfolio.
- Strive to generate more revenue and eliminate capital backlog in our Public Housing portfolio.
- Deepen and realign partnerships consistent with a new vision of HOC.
- Strengthen HOC's relationships with homeowners associations (HOAs) and community groups.
- Create a positive experience for the public by providing excellent customer service at every opportunity.

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

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

Implementation Actions:

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

Develop a strategic plan of social service delivery.

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

Implementation Actions:

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

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

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

Implementation Actions:

- Utilize HOC's prominent reputation and expertise to contribute proactively to changes in policy, statute and regulations.
- Examine regulations and law at the local, state and federal levels and identify specific barriers to HOC in achieving its mission and develop and implement strategies to change them.

Operating Budget

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

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

The following pages of the section highlight the Agency's FY 2015-2016 Adopted Operating Budget.

The charts on pages 1-4 through 1-7 highlight the sources and uses of HOC Funds. HOC has identified two distinct components of income (sources) and expenses (uses). In order to more easily analyze budget to actual financial statements, operating and non-operating income and expenses have been segregated.

The chart on page 1-8 shows the FY 2015-2016 Operating Budget by accounting classification. This chart summarizes all Agency Funds. The FY 2015-2016 Operating Budget is balanced.

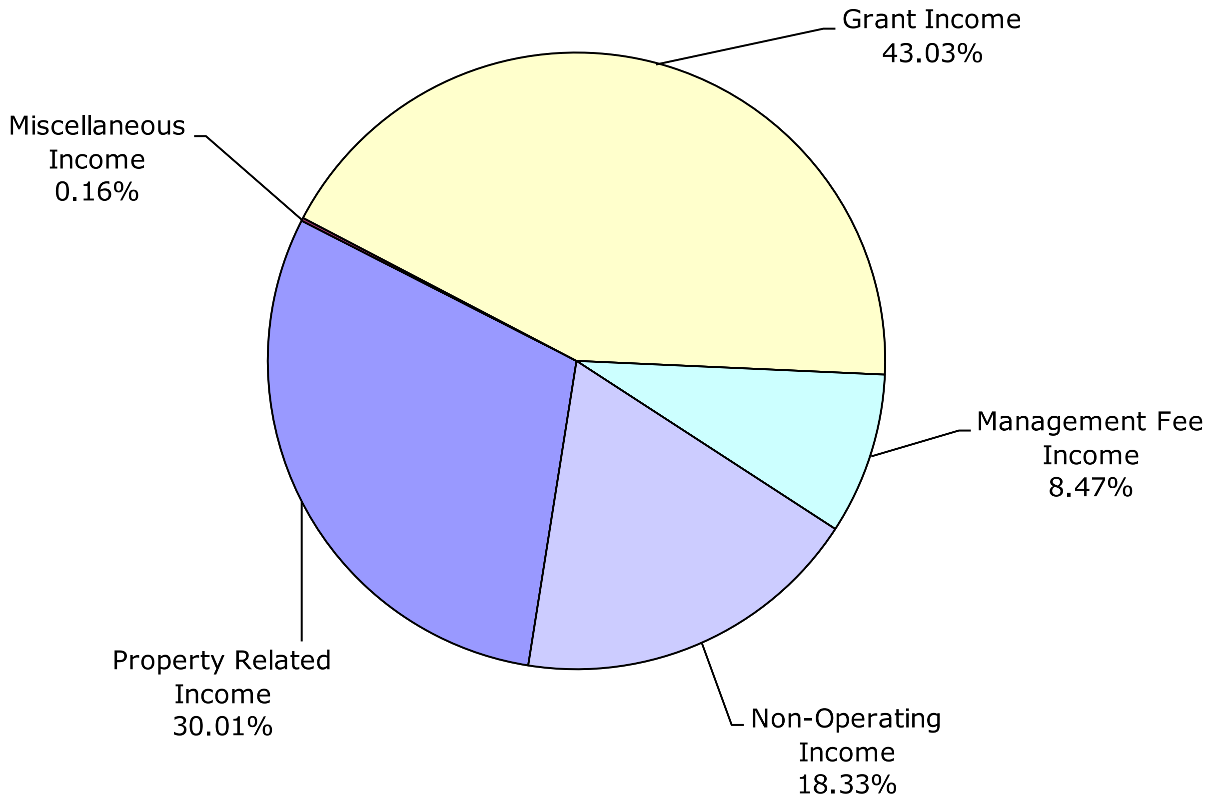
The charts on pages 1-11 and 1-12 illustrate the FY 2015 and FY 2016 external as well as internal revenue restrictions. Although HOC has a $246.9 million budget in FY 2015 and a $247.8 million budget in FY 2016, only 8.17%, or $20.2 million, in FY 2015, and 8.18%, or $20.3 million, in FY 2016 may be used by the Commission for discretionary expenses.

The chart on page 1-13 summarizes the General Fund. Net Operating Income went from a $1.7 million deficit in FY 2014 to a positive $957,970 in FY 2015 or a change of $2.7 million. In FY 2016, the General Fund Net Operating Income decreases slightly by 0.9%, to $949,450.

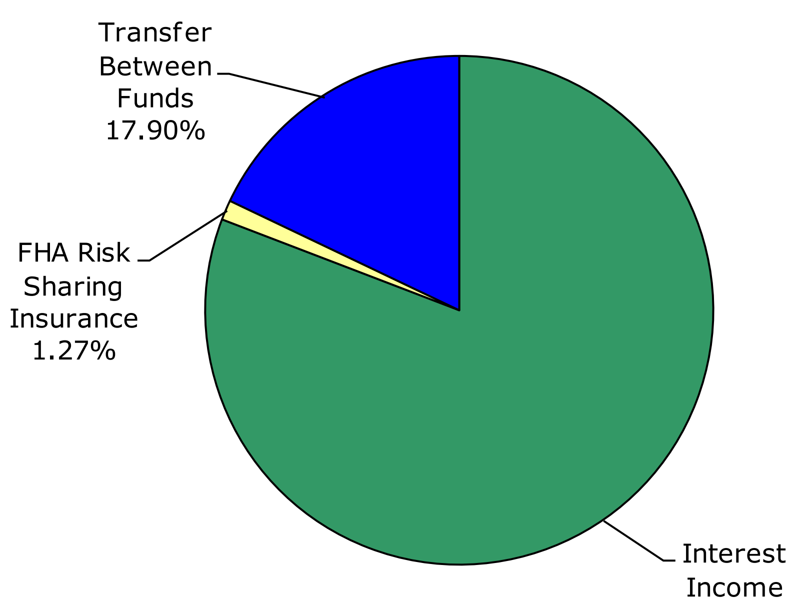
Charts are also included in this section which show the revenue, expense and net cash flow for the properties as well as the annual operating budget for each of the grants.

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

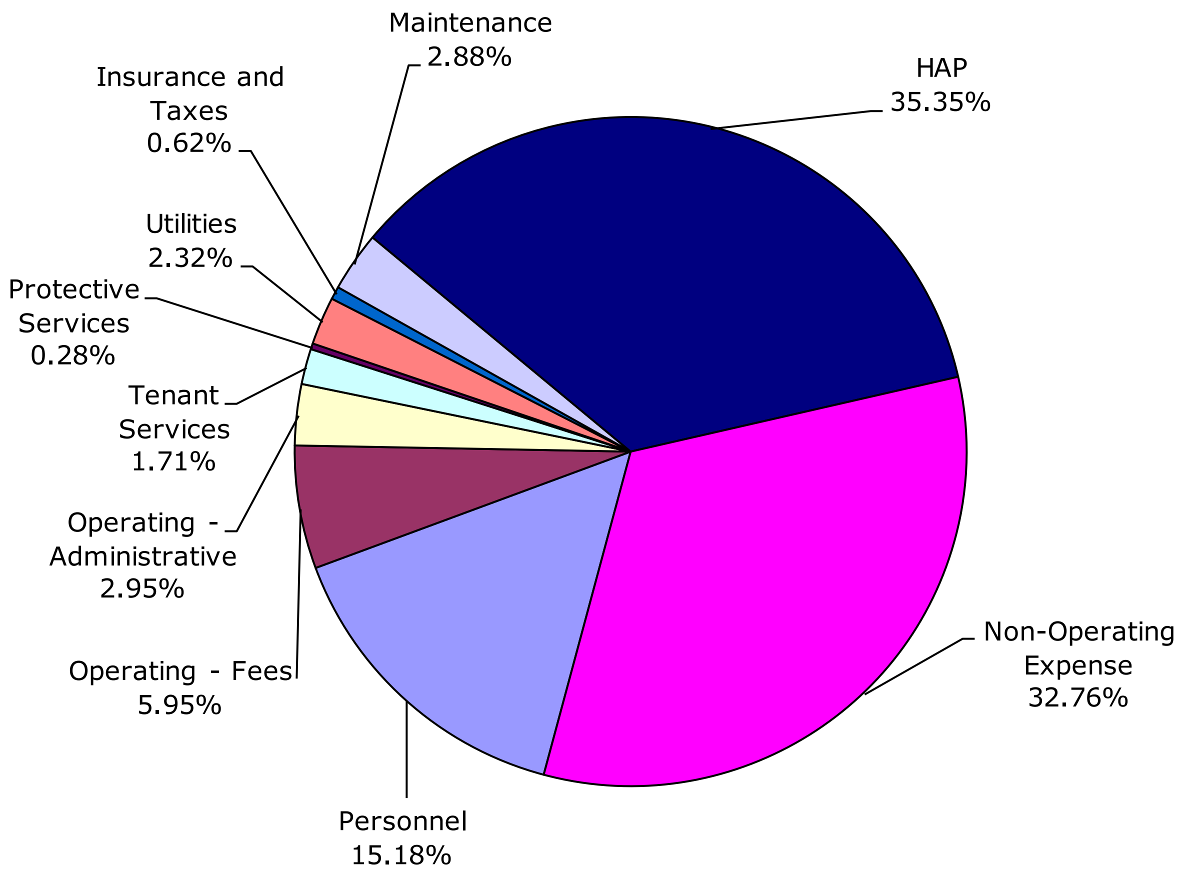
Source of Funds—FY 2015



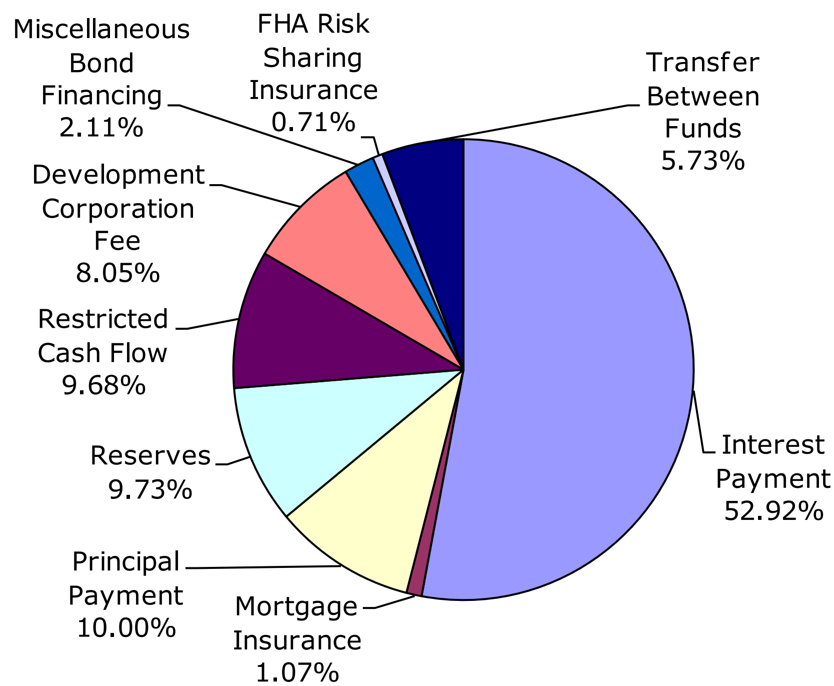
Non-Operating Income



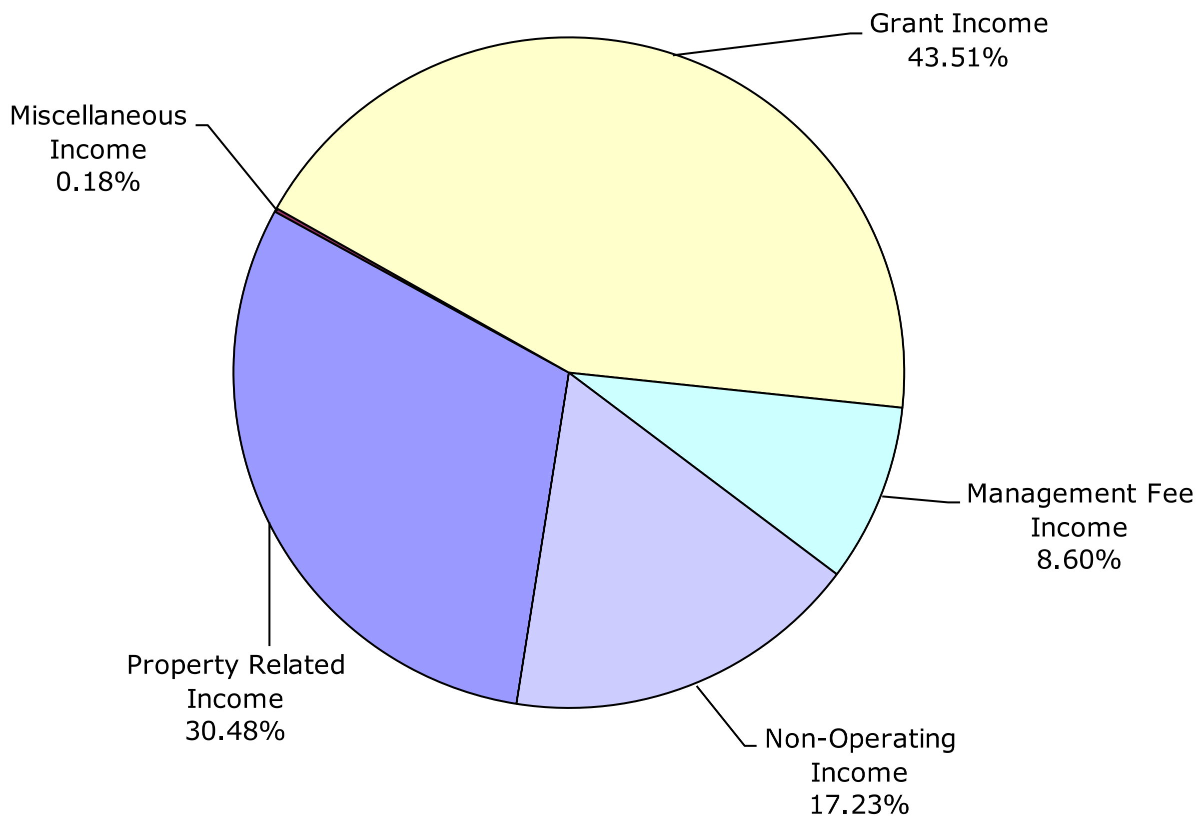
Use of Funds—FY 2015



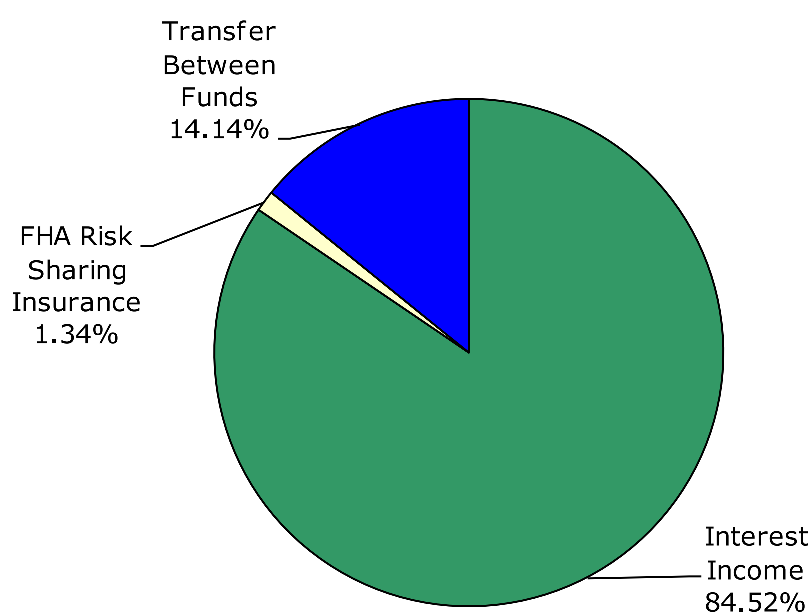
Non-Operating Expense



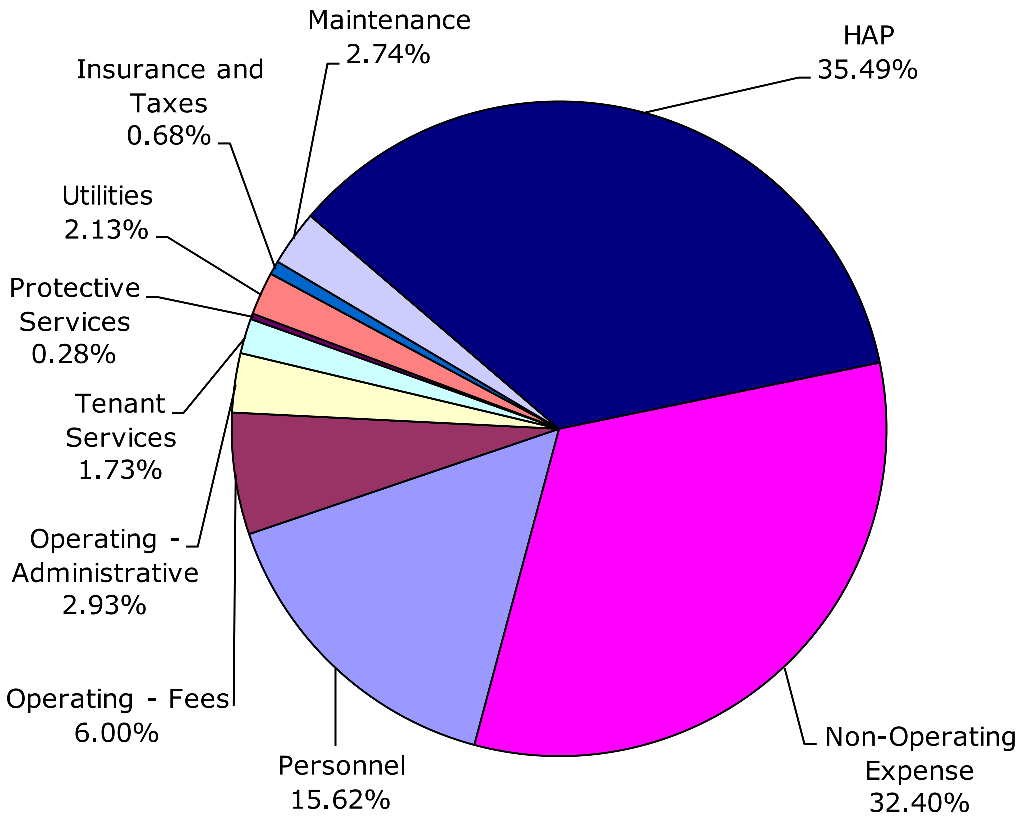
Source of Funds—FY 2016



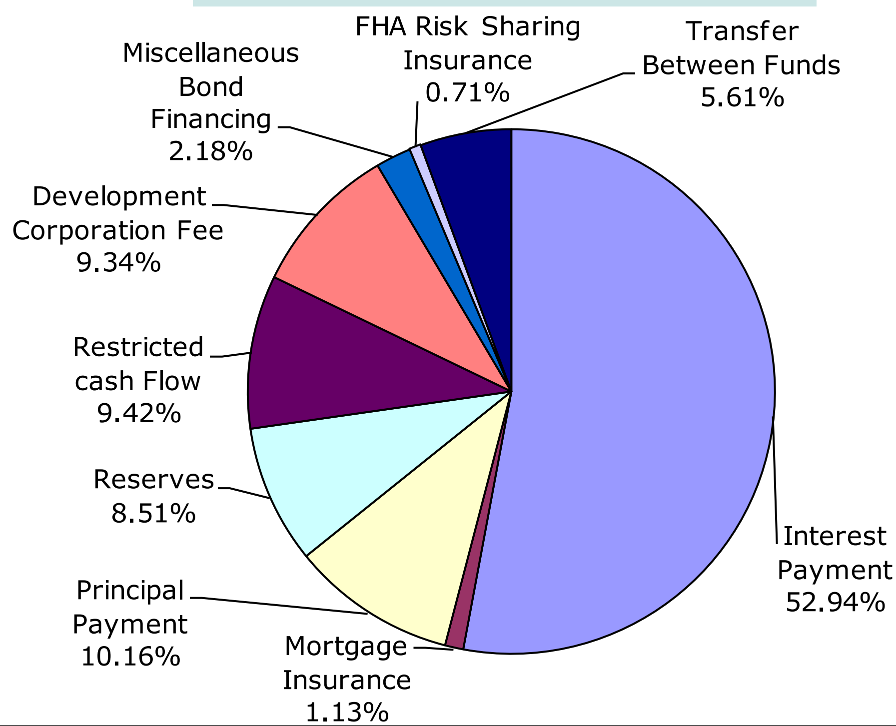
Non-Operating Income



Use of Funds—FY 2016



Non-Operating Expense

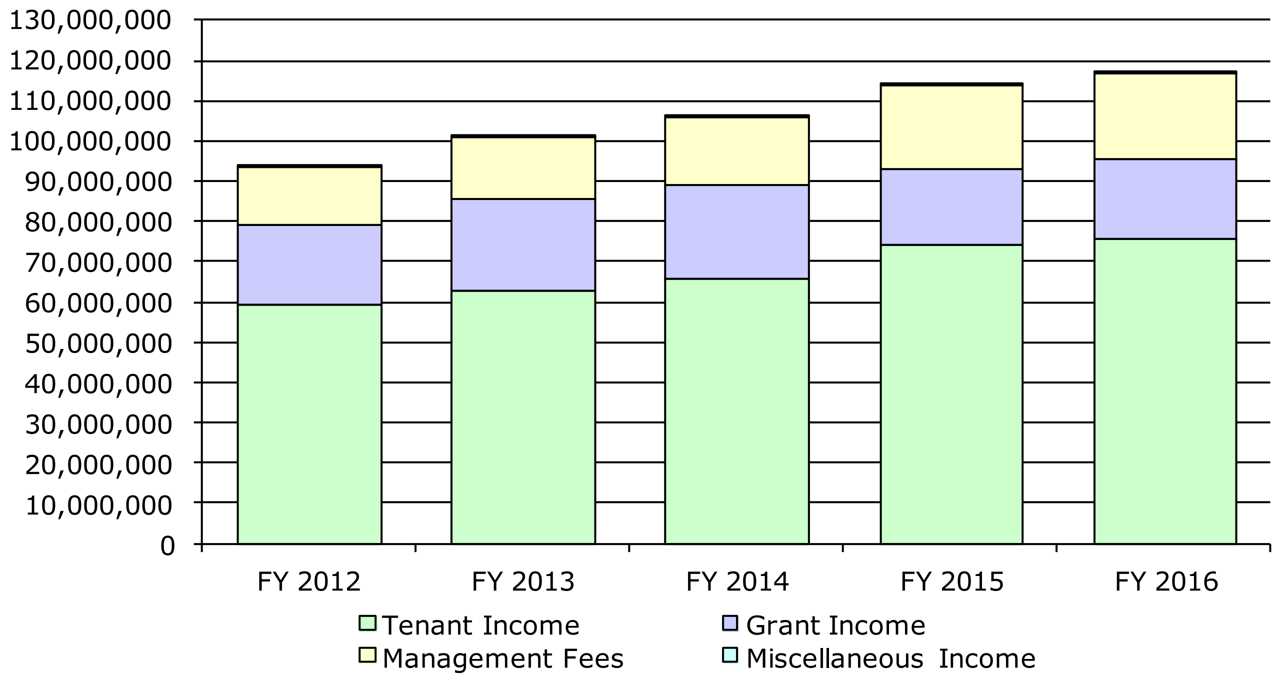


Total Agency—Revenue and Expense Statement

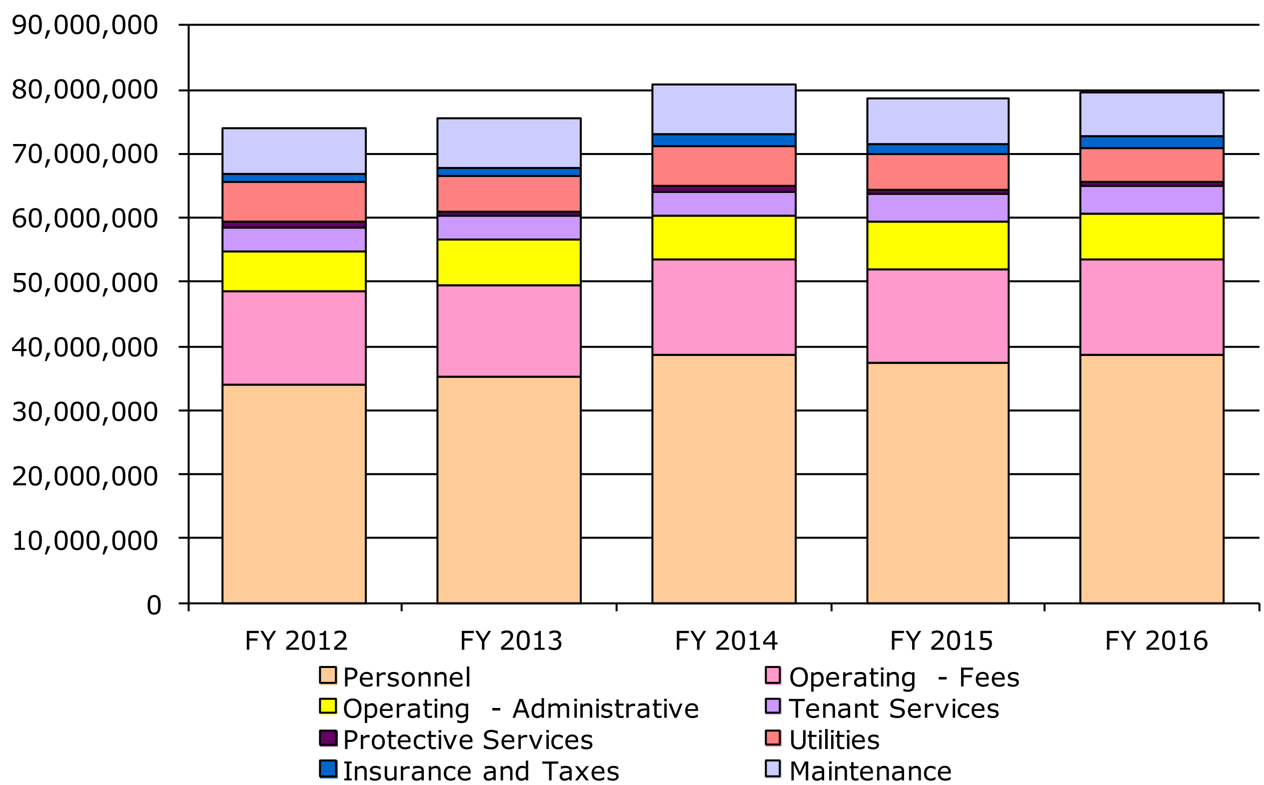
Total Revenue and Expense Statement	FY 2012 Actual	FY 2013 Actual	FY 2014 Amended Budget	FY 2015 Adopted Budget	FY 2016 Adopted Budget
Operating Income					
Tenant Income	$57,772,519	$61,374,909	$64,620,030	$73,067,240	$74,402,060
Non-Dwelling Rental Income	$1,391,745	$1,366,677	$1,077,720	$1,030,570	$1,110,640
Federal Grant	$91,558,047	$95,178,840	$92,759,790	$96,655,690	$97,942,100
State Grant	$227,930	$149,476	$173,690	$173,690	$173,690
County Grant	$7,822,500	$7,940,570	$8,694,090	$9,415,510	$9,691,240
Management Fees	$14,010,473	$15,611,298	$16,807,540	$20,906,830	$21,302,220
Miscellaneous Income	$317,018	$329,613	$413,350	$401,850	$436,900
TOTAL OPERATING INCOME	**$173,100,232**	**$181,951,383**	**$184,546,210**	**$201,651,380**	**$205,058,850**
Operating Expenses					
Personnel Expenses	$34,078,114	$35,339,737	$38,730,290	$37,477,930	$38,698,250
Operating Expenses - Fees	$14,486,605	$14,354,620	$14,812,680	$14,680,720	$14,878,990
Operating Expenses - Administrative	$6,306,398	$7,030,989	$6,829,630	$7,286,790	$7,251,660
Tenant Services Expenses	$3,659,103	$3,655,964	$3,850,250	$4,227,460	$4,277,400
Protective Services Expenses	$852,637	$775,335	$721,170	$699,710	$701,250
Utilities Expenses	$6,198,486	$5,340,499	$6,374,580	$5,716,170	$5,268,300
Insurance and Tax Expenses	$1,282,790	$1,414,969	$1,674,350	$1,529,750	$1,677,720
Maintenance Expenses	$7,301,862	$7,582,994	$7,999,690	$7,119,010	$6,796,900
Housing Assistance Payments (HAP)	$79,441,669	$80,483,375	$78,145,720	$87,280,410	$87,918,960
TOTAL OPERATING EXPENSES	**$153,607,664**	**$155,978,482**	**$159,138,360**	**$166,017,950**	**$167,469,430**
NET OPERATING INCOME	**$19,492,568**	**$25,972,901**	**$25,407,850**	**$35,633,430**	**$37,589,420**
Non-Operating Income					
Investment Interest Income	$36,270,991	$34,930,160	$37,058,830	$36,570,400	$36,082,810
FHA Risk Sharing Insurance	$607,957	$701,487	$590,420	$573,150	$573,150
Transfer Between Funds	$12,067,988	$8,299,189	$8,451,540	$8,097,390	$6,036,280
TOTAL NON-OPERATING INCOME	**$48,946,936**	**$43,930,836**	**$46,100,790**	**$45,240,940**	**$42,692,240**
Non-Operating Expenses					
Interest Payment	$40,140,421	$37,046,503	$42,396,290	$42,796,720	$42,497,440
Mortgage Insurance	$758,485	$786,964	$896,300	$867,460	$906,680
Principal Payment	$6,455,366	$6,839,470	$7,676,570	$8,083,970	$8,159,110
Operating and Replacement Reserves	$6,603,063	$6,084,507	$5,917,710	$7,872,800	$6,830,760
Restricted Cash Flow	$5,890,020	$8,626,678	$4,282,940	$7,829,940	$7,563,380
Development Corporation Fees	$2,302,289	$3,522,399	$4,720,550	$6,506,410	$7,501,470
Miscellaneous Bond Financing Expenses	$1,244,946	$3,153,840	$1,225,750	$1,705,780	$1,748,260
FHA Risk Sharing Insurance	$607,957	$701,487	$590,420	$573,150	$573,150
Transfer Out Between Funds	$3,820,220	$3,075,089	$3,802,110	$4,638,140	$4,501,410
TOTAL NON-OPERATING EXPENSES	**$67,822,767**	**$69,836,937**	**$71,508,640**	**$80,874,370**	**$80,281,660**
NET NON-OPERATING ADJUSTMENTS	**($18,875,831)**	**($25,906,101)**	**($25,407,850)**	**($35,633,430)**	**($37,589,420)**
NET CASH FLOW	**$616,737**	**$66,800**	**$0**	**$0**	**$0**

Operating Budget—Total Agency

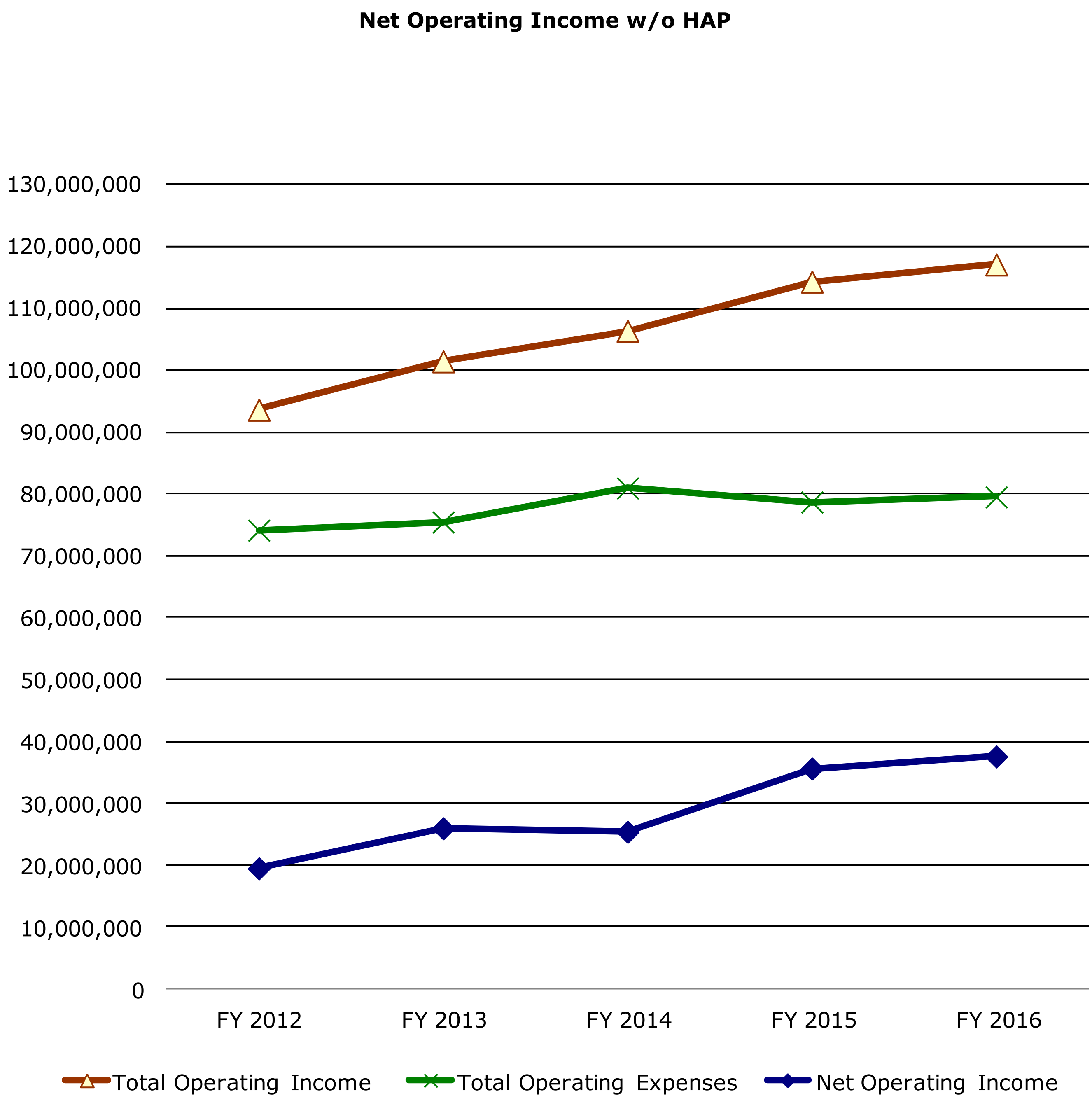
Total Operating Income w/o HAP



Total Operating Expenses w/o HAP

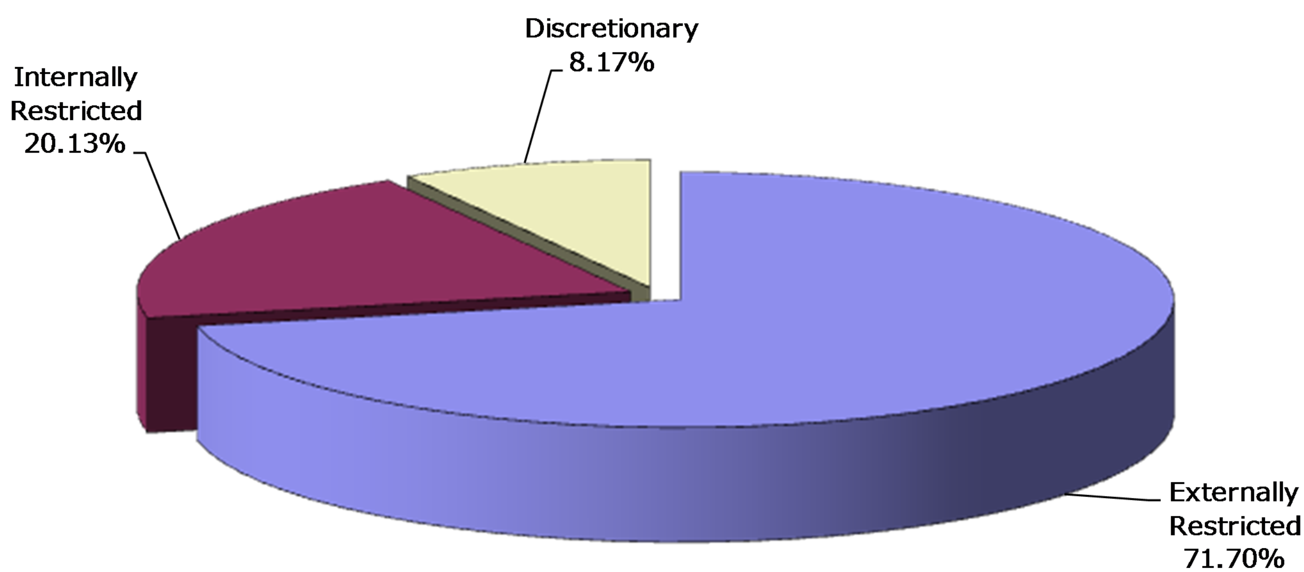


Operating Budget—Total Agency



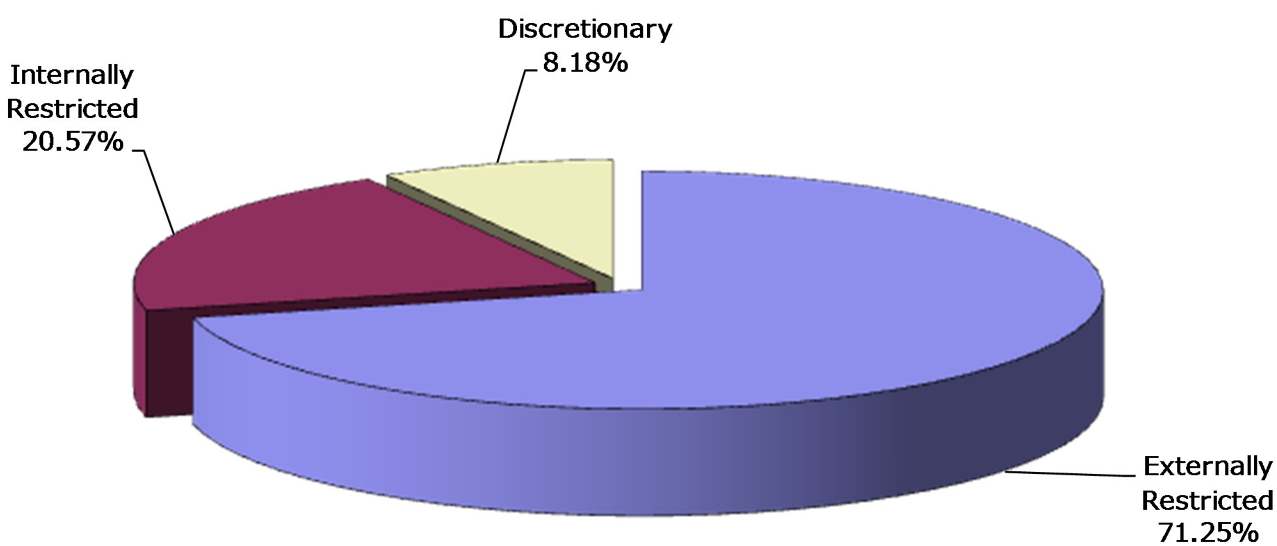
FY 2015 Revenue Restrictions

Revenue Restriction (Showing externally placed restrictions)	FY 2015 Adopted Budget Externally Restricted	Internally Restricted	Discretionary	Total
Operating Income				
Property Related Income	$25,259,980	$47,332,580	$1,505,250	$74,097,810
Federal Grant	$96,655,690	$0	$0	$96,655,690
State Grant	$173,690	$0	$0	$173,690
County Grant	$9,415,510	$0	$0	$9,415,510
Management Fees	$0	$2,374,920	$18,531,910	$20,906,830
Miscellaneous Income	$392,350	$0	$9,500	$401,850
TOTAL OPERATING INCOME	**$131,897,220**	**$49,707,500**	**$20,046,660**	**$201,651,380**
Non-Operating Income				
Interest Income	$36,443,260	$0	$127,140	$36,570,400
FHA Risk Sharing	$573,150	$0	$0	$573,150
Transfer Between Funds	$8,097,390	$0	$0	$8,097,390
TOTAL NON-OPERATING INCOME	**$45,113,800**	**$0**	**$127,140**	**$45,240,940**
TOTAL - ALL REVENUE SOURCES	**$177,011,020**	**$49,707,500**	**$20,173,800**	**$246,892,320**



FY 2016 Revenue Restrictions

Revenue Restriction (Showing externally placed restrictions)	FY 2016 Adopted Budget Externally Restricted	Internally Restricted	Discretionary	Total
Operating Income				
Property Related Income	$25,715,980	$48,953,340	$843,380	$75,512,700
Federal Grant	$97,942,100	$0	$0	$97,942,100
State Grant	$173,690	$0	$0	$173,690
County Grant	$9,691,240	$0	$0	$9,691,240
Management Fees	$0	$2,016,180	$19,286,040	$21,302,220
Miscellaneous Income	$427,400	$0	$9,500	$436,900
TOTAL OPERATING INCOME	**$133,950,410**	**$50,969,520**	**$20,138,920**	**$205,058,850**
Non-Operating Income				
Interest Income	$35,955,670	$0	$127,140	$36,082,810
FHA Risk Sharing	$573,150	$0	$0	$573,150
Transfer Between Funds	$6,036,280	$0	$0	$6,036,280
TOTAL NON-OPERATING INCOME	**$42,565,100**	**$0**	**$127,140**	**$42,692,240**
TOTAL - ALL REVENUE SOURCES	**$176,515,510**	**$50,969,520**	**$20,266,060**	**$247,751,090**

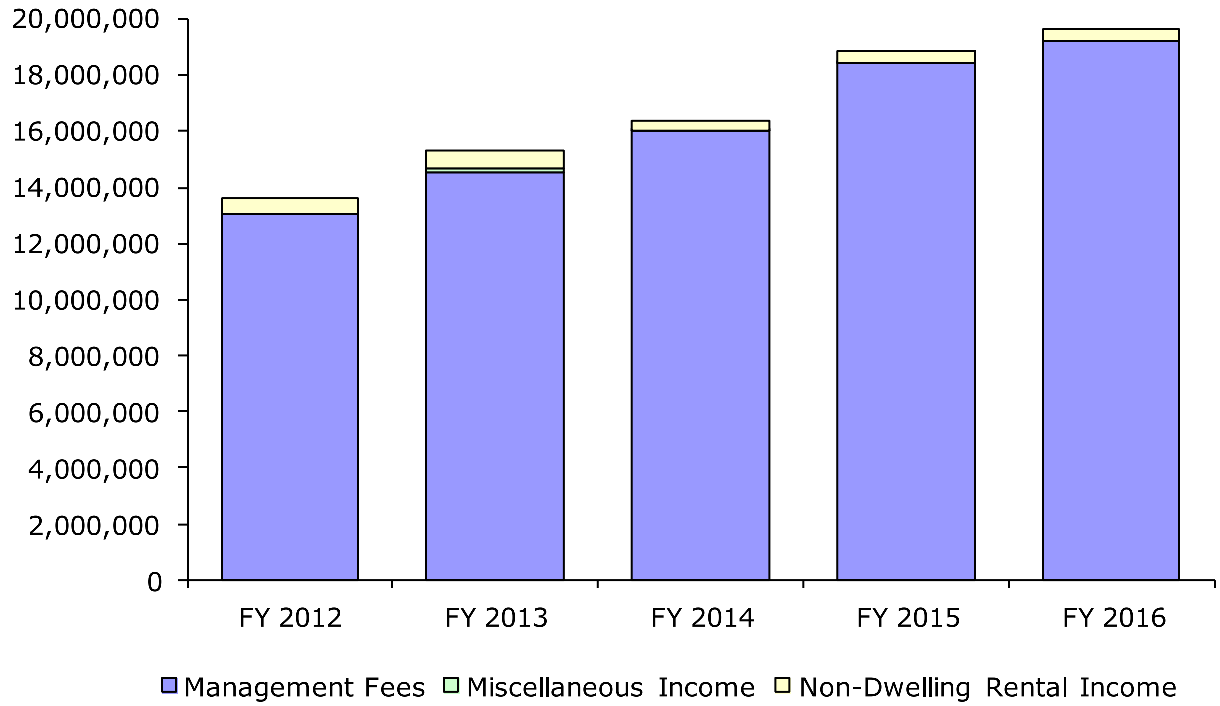


General Fund—Revenue and Expense Statement

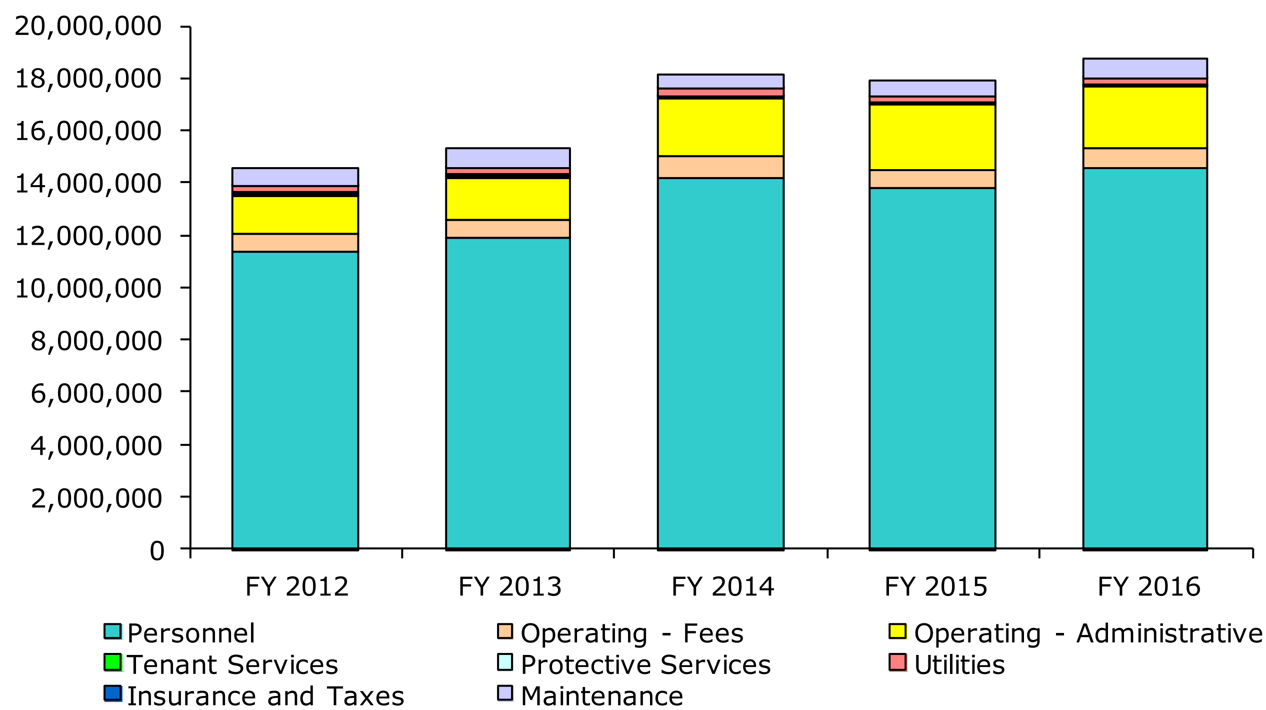
General Fund	FY 2012 Actual	FY 2013 Actual	FY 2014 Amended Budget	FY 2015 Adopted Budget	FY 2016 Adopted Budget
Operating Income					
Non-Dwelling Rental Income	$588,668	$666,459	$380,220	$389,870	$438,740
Management Fees	$13,046,563	$14,572,315	$16,051,900	$18,494,880	$19,250,520
Miscellaneous Income	$34,405	$104,439	$7,500	$9,500	$9,500
TOTAL OPERATING INCOME	**$13,669,636**	**$15,343,213**	**$16,439,620**	**$18,894,250**	**$19,698,760**
Operating Expenses					
Personnel Expenses	$11,330,804	$11,882,465	$14,180,850	$13,814,730	$14,550,580
Operating Expenses - Fees	$678,482	$679,746	$841,690	$693,650	$729,260
Operating Expenses - Administrative	$1,488,155	$1,623,218	$2,177,980	$2,486,770	$2,367,930
Tenant Services Expenses	$80,544	$69,123	$67,020	$14,610	$14,610
Protective Services Expenses	$54,083	$52,427	$56,760	$53,510	$53,510
Utilities Expenses	$246,345	$231,436	$253,160	$241,770	$241,780
Insurance and Tax Expenses	$11,009	$11,613	$5,840	$4,130	$4,510
Maintenance Expenses	$689,329	$760,578	$575,510	$627,110	$787,130
TOTAL OPERATING EXPENSES	**$14,578,751**	**$15,310,606**	**$18,158,810**	**$17,936,280**	**$18,749,310**
NET OPERATING INCOME	**($909,115)**	**$32,607**	**($1,719,190)**	**$957,970**	**$949,450**
Non-Operating Income					
Investment Interest Income	$7,632	$341,812	$55,000	$127,140	$127,140
FHA Risk Sharing Insurance	$607,957	$701,487	$590,420	$573,150	$573,150
Transfer Between Funds	$1,448,187	$1,698,185	$1,817,070	$1,180,920	$1,239,090
TOTAL NON-OPERATING INCOME	**$2,063,776**	**$2,741,484**	**$2,462,490**	**$1,881,210**	**$1,939,380**
Non-Operating Expenses					
Interest Payment	$49,117	$118,161	$62,350	$64,440	$60,460
Principal Payment	$389,757	$312,738	$317,760	$176,930	$0
Operating and Replacement Reserves	$200,000	$50,000	$200,000	$1,300,400	$646,790
Restricted Cash Flow	$2,698	$1,226,131	$288,760	$0	$0
FHA Risk Sharing Insurance	$607,957	$701,487	$590,420	$573,150	$573,150
Transfer Out Between Funds	$1,152,974	$1,329,683	$514,530	$1,797,320	$1,743,930
TOTAL NON-OPERATING EXPENSES	**$2,402,503**	**$3,738,200**	**$1,973,820**	**$3,912,240**	**$3,024,330**
NET NON-OPERATING ADJUSTMENTS	**($338,727)**	**($996,716)**	**$488,670**	**($2,031,030)**	**($1,084,950)**
NET CASH FLOW	**($1,247,842)**	**($964,109)**	**($1,230,520)**	**($1,073,060)**	**($135,500)**

Operating Income and Operating Expenses—General Fund

Operating Income



Operating Expenses



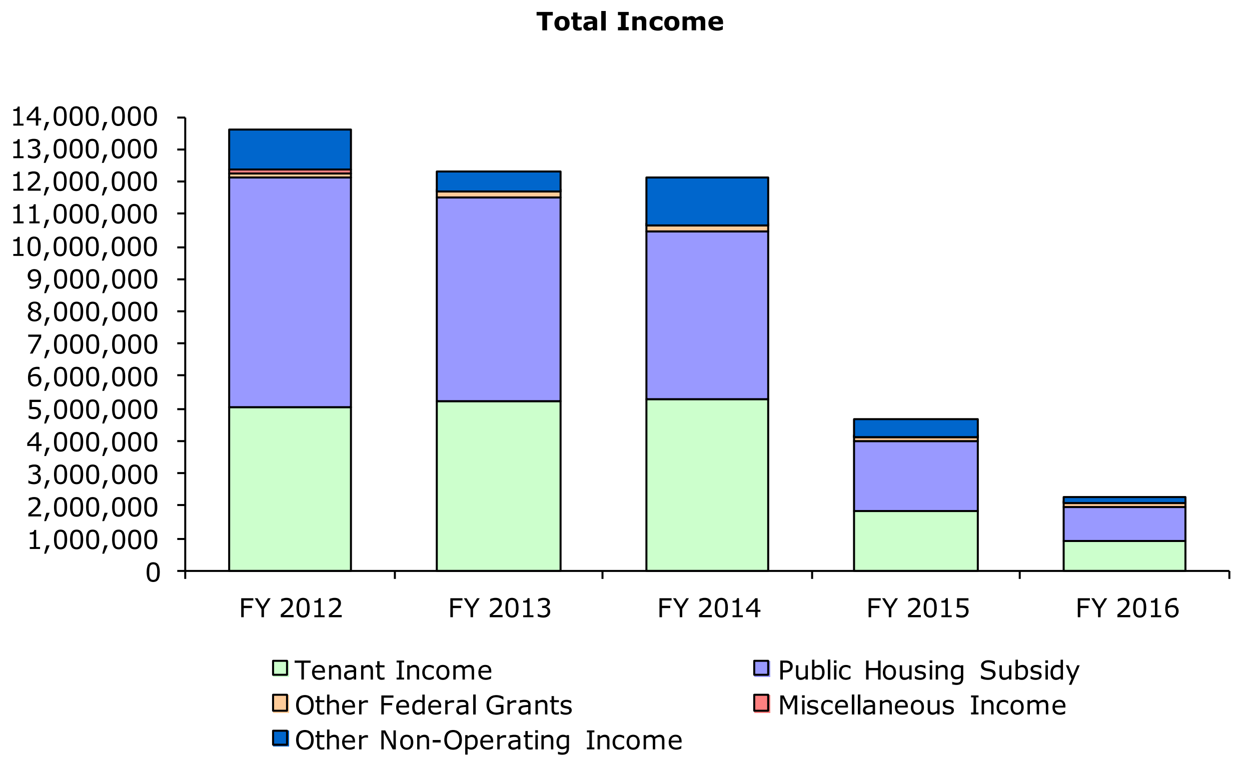
Public Fund (Grants)—Income Summary

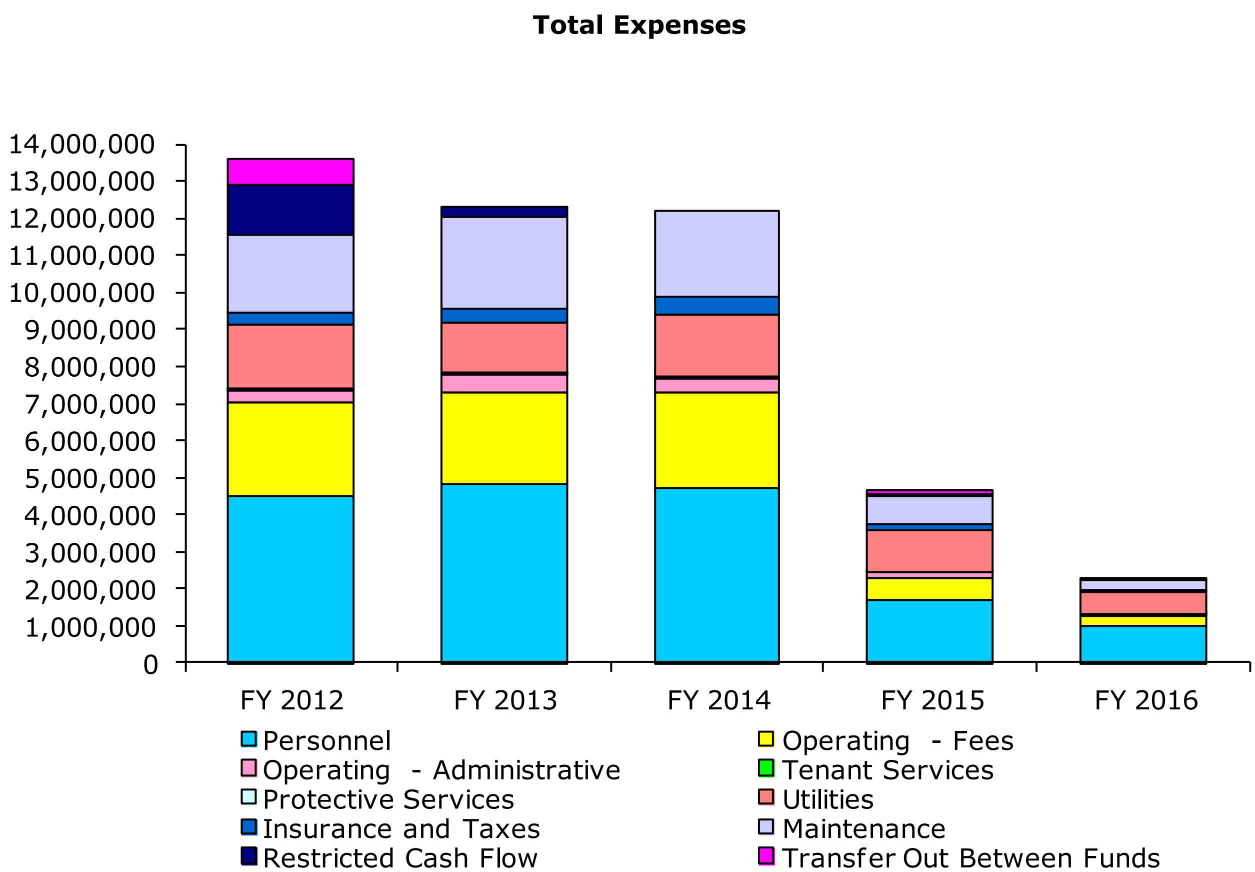
Public Fund Federal, State and County Grants Income Summary	FY 2012 Actual	FY 2013 Actual	FY 2014 Amended Budget	FY 2015 Adopted Budget	FY 2016 Adopted Budget
Federal Funds					
Comp Grant	$574,161	$501,981	$787,160	$544,820	$222,970
Shelter Plus Care	$503,389	$526,201	$655,720	$686,220	$686,220
Shelter Plus Care - New Neighbors	$208,833	$204,755	$278,090	$278,430	$278,430
Shelter Plus Care - New Neighbors II	$48,824	$53,376	$58,150	$60,970	$60,970
McKinney Grants	$3,497,936	$3,471,422	$3,372,130	$3,364,080	$3,364,080
ROSS Grants	$204,311	$97,811	$78,000	$78,000	$80,000
TOTAL - FEDERAL FUNDS	**$5,037,454**	**$4,855,546**	**$5,229,250**	**$5,012,520**	**$4,692,670**
Federal Funds - Other					
Federal Home - RAP and RAP to Work	$113,874	$75,099	$110,560	$115,400	$118,900
TOTAL - FEDERAL FUNDS (Other)	**$113,874**	**$75,099**	**$110,560**	**$115,400**	**$118,900**
State & County Funds					
County Main Grant	$5,498,661	$5,583,227	$6,093,310	$6,376,480	$6,590,970
County Senior Nutrition	$42,911	$43,564	$49,270	$49,270	$49,270
County Closing Cost Assistance Program	$143,330	$148,656	$159,180	$165,180	$174,120
Housing First	$0	$11,720	$77,200	$77,200	$77,200
Maryland Emergency Food Program	$0	$4,500	$0	$4,500	$4,500
Rent Supplemental Programs	$946,342	$1,129,647	$1,200,000	$1,627,390	$1,676,200
Service Coordinators - (Old SHRAP)	$320,400	$320,069	$338,400	$338,400	$338,400
Turnkey	$23,250	$23,250	$23,250	$23,250	$23,250
State RAP and RAP to Work	$227,930	$149,476	$173,690	$173,690	$173,690
Service Linked Emergency Assistance	$73,919	$73,919	$73,920	$73,920	$73,920
State Housing Counselor	$36,916	$36,916	$36,910	$36,920	$36,920
State Emergency Assistance	$71,480	$71,480	$71,480	$71,480	$71,480
TOTAL - STATE & COUNTY FUNDS	**$7,385,139**	**$7,596,424**	**$8,296,610**	**$9,017,680**	**$9,289,920**
TOTAL PUBLIC FUNDS	**$12,536,467**	**$12,527,069**	**$13,636,420**	**$14,145,600**	**$14,101,490**

Public Housing Rental—Revenue and Expense Statement

Public Housing Rental	FY 2012 Actual	FY 2013 Actual	FY 2014 Amended Budget	FY 2015 Adopted Budget	FY 2016 Adopted Budget
Operating Income					
Tenant Income	$5,002,728	$5,196,363	$5,256,830	1,808,620	884,540
Public Housing Operating Subsidy	$7,123,621	$6,323,888	$5,219,880	$2,156,690	$1,048,320
Other Federal Grants	$140,602	$139,110	$138,000	$138,000	$138,000
Miscellaneous Income	$95,260	$48,962	$35,260	$28,550	$1,510
TOTAL OPERATING INCOME	**$12,362,211**	**$11,708,323**	**$10,649,970**	**$4,131,860**	**$2,072,370**
Operating Expenses					
Personnel Expenses	$4,507,232	$4,831,447	$4,693,760	$1,693,280	$981,160
Operating Expenses - Fees	$2,494,857	$2,453,566	$2,591,180	$585,890	$269,490
Operating Expenses - Administrative	$328,954	$488,814	$391,170	$129,400	$59,160
Tenant Services Expenses	$3,278	$2,906	$6,860	$1,830	$200
Protective Services Expenses	$78,522	$29,755	$52,330	$34,170	$12,650
Utilities Expenses	$1,703,970	$1,391,989	$1,663,960	$1,119,190	$580,680
Insurance and Tax Expenses	$332,502	$352,002	$461,430	$151,310	$41,070
Maintenance Expenses	$2,100,929	$2,477,198	$2,342,320	$779,260	$271,840
TOTAL OPERATING EXPENSES	**$11,550,244**	**$12,027,677**	**$12,203,010**	**$4,494,330**	**$2,216,250**
NET OPERATING INCOME	**$811,967**	**($319,354)**	**($1,553,040)**	**($362,470)**	**($143,880)**
Non-Operating Income					
Investment Interest Income	($12,750)	($11,810)	($15,060)	($4,150)	($1,690)
Transfer Between Funds	$1,234,626	$589,626	$1,510,910	$520,690	$205,970
TOTAL NON-OPERATING INCOME	**$1,221,876**	**$577,816**	**$1,495,850**	**$516,540**	**$204,280**
Non-Operating Expenses					
Restricted Cash Flow	$1,363,843	$258,462	$0	$39,570	$60,400
Transfer Out Between Funds	$670,000	$0	$0	$114,500	$0
TOTAL NON-OPERATING EXPENSES	**$2,033,843**	**$258,462**	**$0**	**$154,070**	**$60,400**
NET NON-OPERATING ADJUSTMENTS	**($811,967)**	**$319,354**	**$1,495,850**	**$362,470**	**$143,880**
NET CASH FLOW	**$0**	**$0**	**($57,190)**	**$0**	**$0**

Total Income and Total Expenses—Public Housing Rental





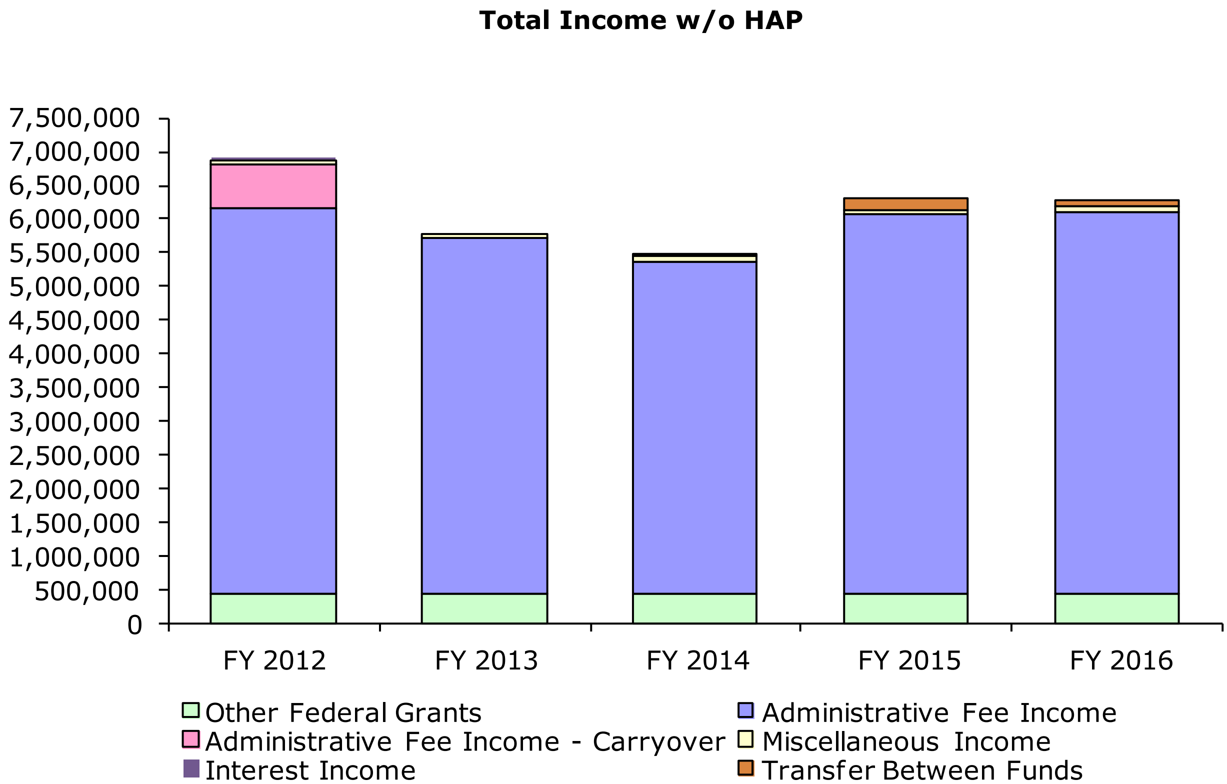
Public Housing Homeownership—Revenue and Expense Statement

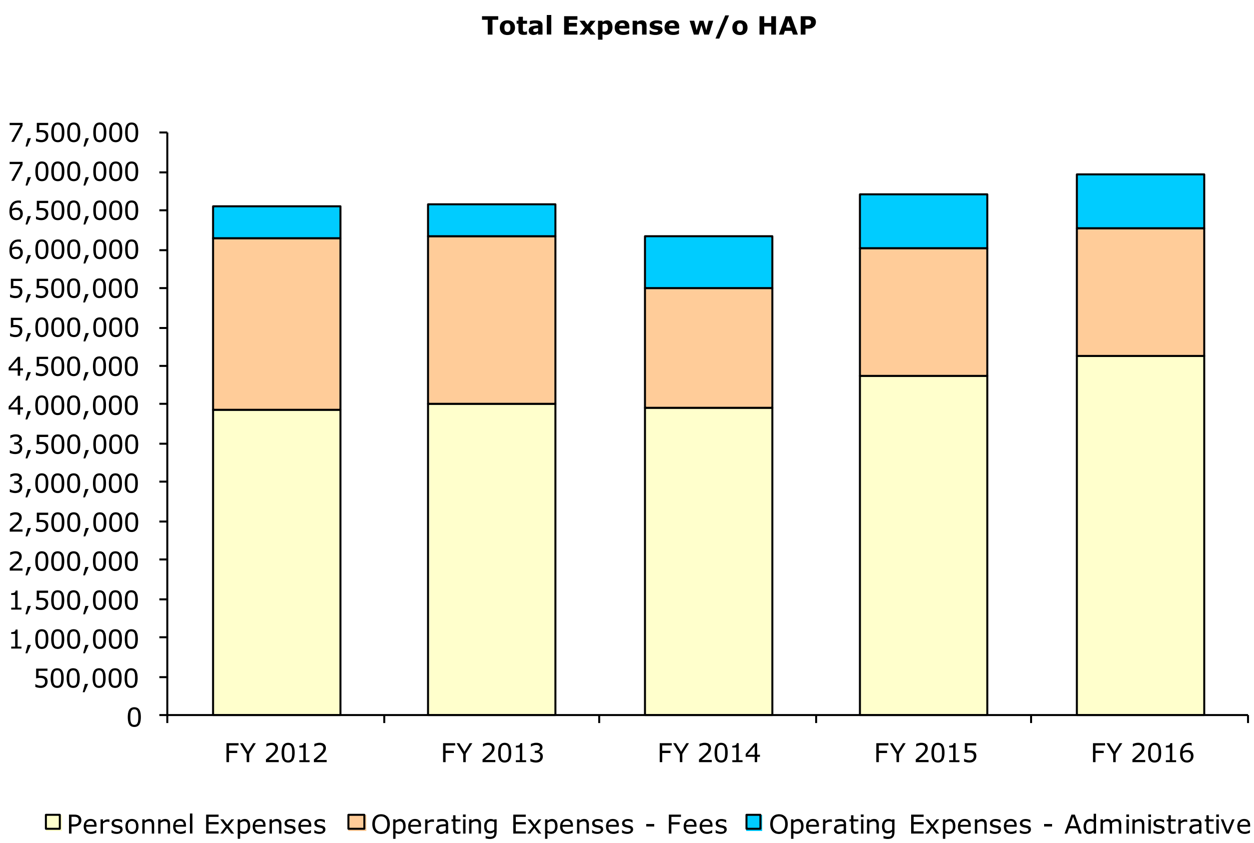
Public Housing Homeownership	FY 2012 Actual	FY 2013 Actual	FY 2014 Amended Budget	FY 2015 Adopted Budget	FY 2016 Adopted Budget
Operating Income					
Tenant Income	$8,146	($5,296)	$6,140	$6,300	$6,300
Federal Grant	$146,377	$103,547	$63,520	$64,880	$64,880
Miscellaneous Income	$224	$368	$200	$200	$200
TOTAL OPERATING INCOME	**$154,747**	**$98,619**	**$69,860**	**$71,380**	**$71,380**
Operating Expenses					
Personnel Expenses	$75,565	$37,286	$23,020	$16,500	$17,380
Operating Expenses - Fees	$10,352	$7,331	$10,550	$7,310	$7,530
Operating Expenses - Administrative	$996	$2,773	$570	$5,940	$5,870
Protective Services Expenses	$0	$0	$0	$300	$300
Utilities Expenses	$22,712	$19,545	$19,660	$20,820	$20,820
Insurance and Tax Expenses	$3,596	$2,694	$3,330	$2,680	$3,040
Maintenance Expenses	$22,921	$29,086	$25,850	$40,420	$40,430
TOTAL OPERATING EXPENSES	**$136,142**	**$98,715**	**$82,980**	**$93,970**	**$95,370**
NET OPERATING INCOME	**$18,605**	**($96)**	**($13,120)**	**($22,590)**	**($23,990)**
Non-Operating Income					
Investment Interest Income	$139	$293	$0	$0	$0
Transfer Between Funds - Rental License	$342	$304	$300	$270	$270
TOTAL NON-OPERATING INCOME	**$481**	**$597**	**$300**	**$270**	**$270**
NET NON-OPERATING ADJUSTMENTS	**$481**	**$597**	**$300**	**$270**	**$270**
NET CASH FLOW	**$19,086**	**$501**	**($12,820)**	**($22,320)**	**($23,720)**

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

Housing Choice Voucher Program	FY 2012 Actual	FY 2013 Actual	FY 2014 Amended Budget	FY 2015 Adopted Budget	FY 2016 Adopted Budget
Operating Income					
Housing Assistance Payments (HAP)	$73,859,409	$78,936,246	$77,634,910	$84,112,470	86,786,480
Other Federal Grants	$417,000	$417,000	$417,000	$409,980	409,980
Administrative Fee Income	$5,743,092	$5,295,129	$4,949,280	$5,653,340	5,693,970
Miscellaneous Income	$70,095	$52,825	$70,000	$70,000	70,000
TOTAL OPERATING INCOME	**$80,089,596**	**$84,701,200**	**$83,071,190**	**$90,245,790**	**$92,960,430**
Operating Expenses					
Personnel Expenses	$3,946,345	$4,018,508	$3,963,740	$4,386,770	$4,621,010
Operating Expenses - Fees	$2,194,234	$2,148,247	$1,549,800	$1,638,060	$1,650,070
Operating Expenses - Administrative	$420,786	$426,383	$673,530	$698,670	$708,730
Housing Assistance Payments (HAP)	$78,745,409	$79,776,804	$77,267,880	$86,403,250	$87,046,200
TOTAL OPERATING EXPENSES	**$85,306,774**	**$86,369,942**	**$83,454,950**	**$93,126,750**	**$94,026,010**
NET OPERATING INCOME	**($5,217,178)**	**($1,668,742)**	**($383,760)**	**($2,880,960)**	**($1,065,580)**
Non-Operating Income					
Investment Interest Income	$14,780	$0	$0	$0	$0
Housing Assistance Payments (HAP) Reserve	$4,886,000	$840,558	$241,590	$2,290,780	$259,720
Administrative Fee Income - Carryover	$643,802	$0	$0	$0	$0
Transfer Between Funds	$0	$0	$24,130	$157,990	$97,980
TOTAL NON-OPERATING INCOME	**$5,544,582**	**$840,558**	**$265,720**	**$2,448,770**	**$357,700**
Non-Operating Expenses					
Transfers Out Between Funds	$0	$0	$608,610	$0	$0
TOTAL NON-OPERATING EXPENSES	**$0**	**$0**	**$608,610**	**$0**	**$0**
NET NON-OPERATING ADJUSTMENTS	**$5,544,582**	**$840,558**	**($342,890)**	**$2,448,770**	**$357,700**
NET CASH FLOW	**$327,404**	**($828,184)**	**($726,650)**	**($432,190)**	**($707,880)**

Total Income and Total Expenses—HCV Program

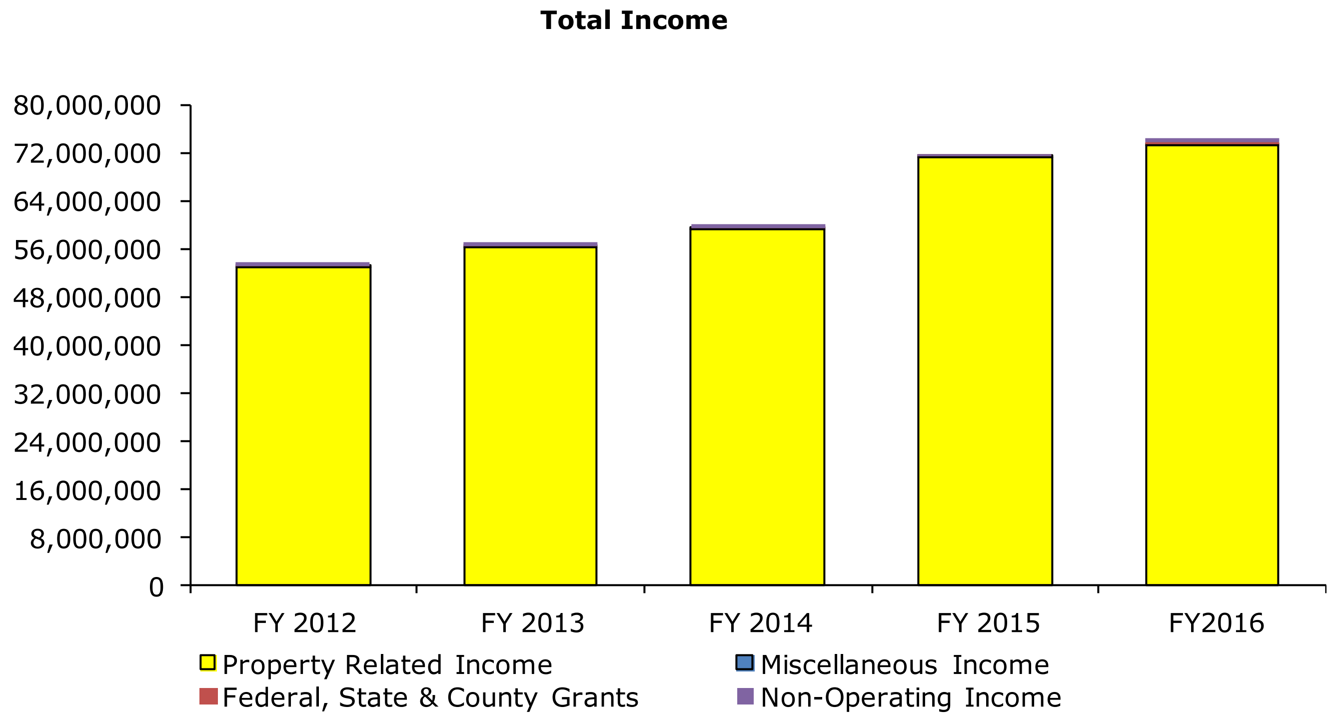


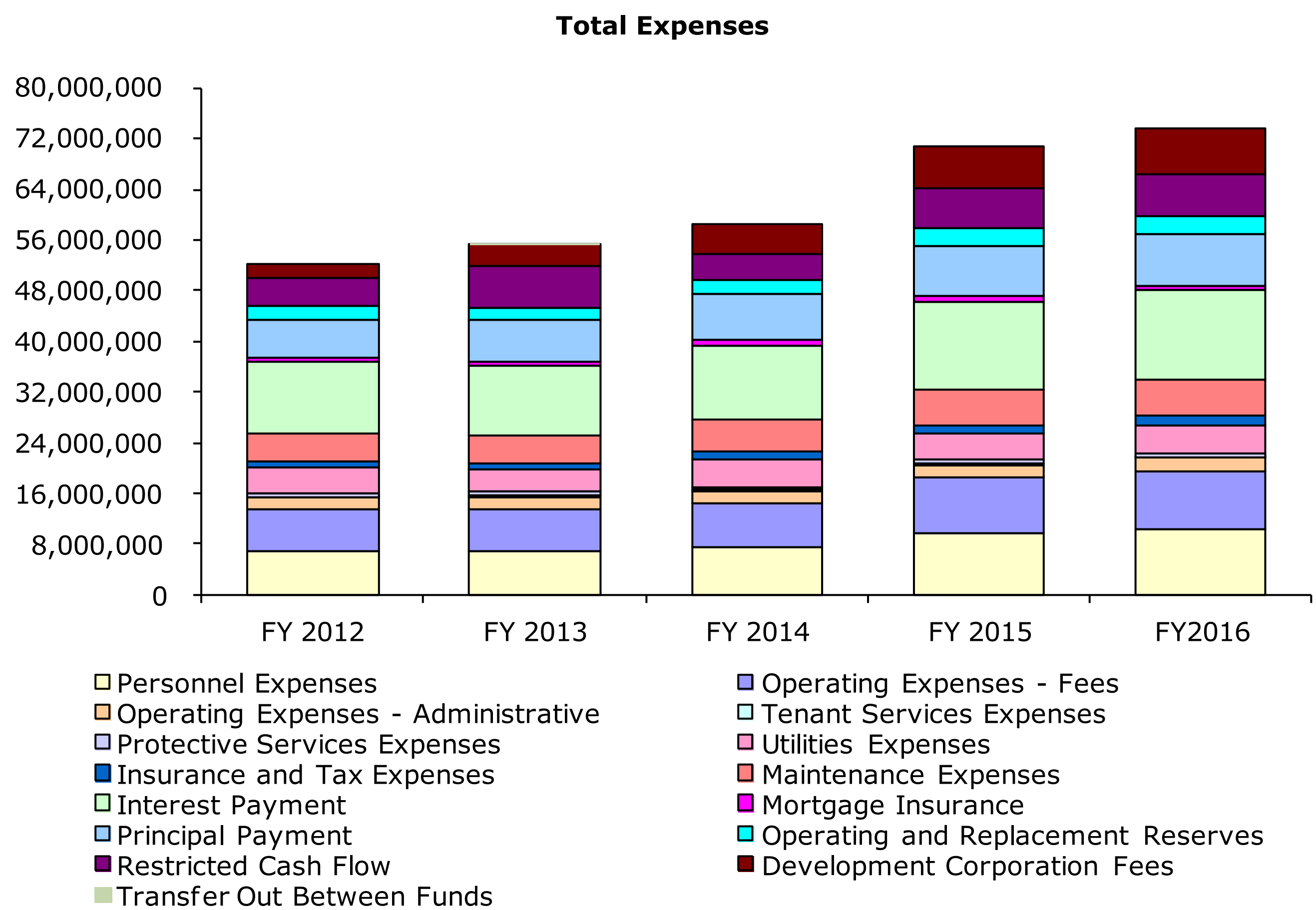


Opportunity Housing Fund and Development Corporations—Revenue and Expense Statement

Opportunity Housing and Development Corporations	FY 2012 Actual	FY 2013 Actual	FY 2014 Amended Budget	FY 2015 Adopted Budget	FY 2016 Adopted Budget
Operating Income					
Tenant Income	$52,289,881	$55,725,830	$58,883,620	$70,778,740	$73,037,630
Non-Dwelling Rental Income	$662,887	$594,568	$627,500	$570,700	$601,900
Federal Grant	$41,229	$42,325	$42,000	$42,000	$42,000
Miscellaneous Income	$233,121	$214,387	$172,640	$149,710	$156,760
TOTAL OPERATING INCOME	**$53,369,725**	**$56,577,110**	**$59,725,760**	**$71,541,150**	**$73,838,290**
Operating Expenses					
Personnel Expenses	$6,649,002	$6,766,125	$7,575,290	$9,543,140	$10,118,960
Operating Expenses - Fees	$6,783,640	$6,800,315	$6,869,300	$8,963,630	$9,369,660
Operating Expenses - Administrative	$1,721,698	$1,740,782	$1,747,900	$1,939,750	$2,013,780
Tenant Services Expenses	$188,406	$179,297	$214,470	$222,350	$230,420
Protective Services Expenses	$720,032	$693,153	$612,080	$611,740	$634,790
Utilities Expenses	$4,017,144	$3,498,341	$4,198,600	$4,099,970	$4,190,620
Insurance and Tax Expenses	$905,549	$1,028,400	$1,175,960	$1,355,450	$1,608,270
Maintenance Expenses	$4,487,834	$4,316,131	$5,056,010	$5,672,220	$5,697,500
TOTAL OPERATING EXPENSES	**$25,473,305**	**$25,022,544**	**$27,449,610**	**$32,408,250**	**$33,864,000**
NET OPERATING INCOME	**$27,896,420**	**$31,554,566**	**$32,276,150**	**$39,132,900**	**$39,974,290**
Non-Operating Income					
Investment Interest Income	($38,673)	($38,987)	($39,470)	($47,800)	($50,250)
Transfer Between Funds	$657,144	$616,648	$560,460	$635,860	$726,630
TOTAL NON-OPERATING INCOME	**$618,471**	**$577,661**	**$520,990**	**$588,060**	**$676,380**
Non-Operating Expenses					
Interest Payment	$11,160,501	$10,914,212	$11,863,330	$13,802,460	$14,069,830
Mortgage Insurance	$738,403	$782,640	$883,980	$858,820	$898,050
Principal Payment	$6,065,609	$6,526,731	$7,358,820	$7,907,040	$8,159,110
Operating and Replacement Reserves	$1,984,376	$1,979,642	$2,068,290	$2,691,660	$2,588,990
Restricted Cash Flow	$4,399,135	$6,480,171	$3,944,990	$6,449,320	$6,589,840
Development Corporation Fees	$2,302,289	$3,522,399	$4,720,550	$6,506,410	$7,501,470
Transfer Out Between Funds	$0	$4,373	$0	$0	$0
TOTAL NON-OPERATING EXPENSES	**$26,650,313**	**$30,210,168**	**$30,839,960**	**$38,215,710**	**$39,807,290**
NET NON-OPERATING ADJUSTMENTS	**($26,031,842)**	**($29,632,507)**	**($30,318,970)**	**($37,627,650)**	**($39,130,910)**
NET CASH FLOW	**$1,864,578**	**$1,922,059**	**$1,957,180**	**$1,505,250**	**$843,380**

Total Income and Total Expenses—
Opportunity and Development Corporations Portfolio





HOC Owned/Managed Properties—FY 2015 Net Cash Flow Statement

Opportunity Housing and Development Corps FY 2015 Operating Budget	**Total Operating Income**	**Total Operating Expenses**	**Net Operating Income**	**Annual Debt Services**	**Annual Escrow for RfR**	**Asset & Loan Management Fees**	**FY 2015 Projected Cash Flow**	**Restricted Cash Flow**	**Development Corporations Fees**	**FY 2015 Net Cash Flow to HOC**
Alexander House	$5,832,570	$1,984,370	**$3,848,200**	$1,806,380	$300,000	$242,510	**$1,499,310**	$0	$1,499,310	**$0**
Ambassador	$885,350	$715,090	**$170,260**	$384,050	$68,980	$134,870	**($417,640)**	$0	$0	**($417,640)**
Barclay, The	$1,313,080	$381,240	**$931,840**	$682,540	$22,800	$59,260	**$167,240**	$0	$167,240	**$0**
Brooke Park	$119,850	$92,060	**$27,790**	$0	$10,800	$14,040	**$2,950**	$2,950	$0	**$0**
Brookside Glen (The Glen)	$1,533,650	$634,600	**$899,050**	$502,870	$94,670	$70,180	**$231,330**	$231,330	$0	**$0**
CDBG Units	$41,980	$23,620	**$18,360**	$930	$17,430	$0	**$0**	$0	$0	**$0**
Chelsea Towers	$305,790	$202,200	**$103,590**	$65,630	$8,400	$0	**$29,560**	$0	$0	**$29,560**
Chevy Chase Lake	$1,291,560	$468,040	**$823,520**	$534,410	$34,000	$53,020	**$202,090**	$0	$202,090	**$0**
Dale Drive	$104,560	$63,020	**$41,540**	$0	$20,540	$7,800	**$13,200**	$13,200	$0	**$0**
Diamond Square	$1,195,920	$827,320	**$368,600**	$118,940	$111,990	$21,810	**$115,860**	$115,860	$0	**$0**
Fairfax Court	$306,910	$108,010	**$198,900**	$56,580	$26,820	$14,040	**$101,460**	$0	$0	**$101,460**
Glenmont Crossing	$1,939,640	$825,900	**$1,113,740**	$828,920	$58,200	$75,640	**$150,980**	$150,980	$0	**$0**
Glenmont Westerly	$1,678,100	$718,090	**$960,010**	$538,810	$61,200	$79,540	**$280,460**	$141,560	$138,900	**$0**
Greenhills	$1,170,640	$422,460	**$748,180**	$318,560	$78,000	$57,500	**$294,120**	$294,120	$0	**$0**
Holiday Park	$311,420	$132,000	**$179,420**	$101,560	$13,850	$0	**$64,010**	$0	$0	**$64,010**
Jubilee Falling Creek	$34,260	$23,100	**$11,160**	$0	$2,000	$0	**$9,160**	$0	$0	**$9,160**
Jubilee Hermitage	$39,770	$28,700	**$11,070**	$0	$2,000	$0	**$9,070**	$0	$0	**$9,070**
Jubilee Woodedge	$33,740	$21,900	**$11,840**	$0	$2,000	$0	**$9,840**	$0	$0	**$9,840**
Ken Gar	$158,730	$86,590	**$72,140**	$49,170	$4,850	$1,770	**$16,350**	$16,350	$0	**$0**
Magruder's Discovery	$2,221,710	$681,080	**$1,540,630**	$940,580	$36,070	$0	**$563,980**	$0	$563,980	**$0**
McHome	$430,330	$292,850	**$137,480**	$0	$16,400	$0	**$121,080**	$0	$0	**$121,080**
McKendree	$163,490	$146,450	**$17,040**	$0	$11,200	$0	**$5,840**	$0	$0	**$5,840**
MetroPointe	$2,597,580	$774,640	**$1,822,940**	$1,957,480	$30,000	$8,680	**($173,220)**	$0	$0	**($173,220)**
Metropolitan, The	$7,155,910	$2,007,100	**$5,148,810**	$2,317,870	$97,200	$67,950	**$2,665,790**	$2,257,210	$408,580	**$0**
MHLP VII	$497,570	$246,160	**$251,410**	$40,470	$14,000	$0	**$196,940**	$0	$0	**$196,940**
MHLP VIII	$667,910	$361,760	**$306,150**	$0	$20,000	$0	**$286,150**	$0	$0	**$286,150**

HOC Owned/Managed Properties—FY 2015 Net Cash Flow Statement (cont.)

Opportunity Housing and Development Corps FY 2015 Operating Budget	Total Operating Income	Total Operating Expenses	Net Operating Income	Annual Debt Services	Annual Escrow for RfR	Asset & Loan Management Fees	FY 2015 Projected Cash Flow	Restricted Cash Flow	Development Corporations Fees	FY 2015 Net Cash Flow to HOC
(cont.)										
Montgomery Arms	$1,916,770	$685,410	**$1,231,360**	$691,480	$46,200	$100,590	**$393,090**	$0	$393,090	**$0**
MPDU 2007 - Phase II	$82,640	$46,580	**$36,060**	$0	$0	$0	**$36,060**	$0	$0	**$36,060**
MPDU I (64)	$919,950	$497,840	**$422,110**	$230,260	$27,550	$0	**$164,300**	$0	$0	**$164,300**
TPM - MPDU II (59)	$842,010	$410,910	**$431,100**	$174,050	$17,700	$0	**$239,350**	$59,840	$179,510	**$0**
NCI Units	$164,410	$98,880	**$65,530**	$0	$65,530	$0	**$0**	$0	$0	**$0**
NSP Units	$86,340	$48,720	**$37,620**	$0	$37,620	$0	**$0**	$0	$0	**$0**
Oaks @ Four Corners, The	$1,299,470	$738,880	**$560,590**	$285,800	$172,000	$93,570	**$9,220**	$9,220	$0	**$0**
Paddington Square	$2,851,800	$934,960	**$1,916,840**	$1,206,120	$58,100	$104,970	**$547,650**	$273,820	$273,830	**$0**
Paint Branch	$155,140	$119,800	**$35,340**	$15,060	$8,400	$0	**$11,880**	$11,880	$0	**$0**
Parkway Woods	$196,110	$112,860	**$83,250**	$55,600	$6,120	$2,000	**$19,530**	$19,530	$0	**$0**
TPM - Pomander Court	$393,440	$167,700	**$225,740**	$100,110	$7,200	$1,850	**$116,580**	$58,290	$58,290	**$0**
Pooks Hill High-Rise	$2,835,270	$1,024,120	**$1,811,150**	$1,034,860	$147,830	$192,870	**$435,590**	$0	$435,590	**$0**
Pooks Hill Mid-Rise	$914,270	$288,930	**$625,340**	$364,610	$55,860	$38,990	**$165,880**	$0	$0	**$165,880**
Sandy Spring Meadow	$369,980	$198,770	**$171,210**	$124,310	$14,020	$4,480	**$28,400**	$28,400	$0	**$0**
Scattered Sites One	$2,566,810	$1,467,530	**$1,099,280**	$567,890	$94,960	$23,000	**$413,430**	$103,360	$310,070	**$0**
Scattered Sites Two	$779,600	$404,450	**$375,150**	$298,690	$72,940	$0	**$3,520**	$0	$3,520	**$0**
Seneca Ridge	$600,260	$300,400	**$299,860**	$245,900	$18,100	$8,870	**$26,990**	$26,990	$0	**$0**
Sligo MPDU III	$287,970	$208,590	**$79,380**	$0	$8,000	$0	**$71,380**	$0	$71,380	**$0**
Southbridge	$444,280	$214,030	**$230,250**	$0	$10,800	$30,410	**$189,040**	$0	$0	**$189,040**
State Rental Combined	$1,782,180	$1,400,400	**$381,780**	$0	$87,100	$0	**$294,680**	$294,680	$0	**$0**
Strathmore Court	$3,544,270	$1,152,020	**$2,392,250**	$1,203,770	$107,540	$117,740	**$963,200**	$255,480	$0	**$707,720**
TPM - Timberlawn	$1,904,220	$656,110	**$1,248,110**	$674,140	$26,750	$92,820	**$454,400**	$227,200	$227,200	**$0**
Towne Centre Place	$320,310	$198,220	**$122,090**	$83,350	$12,490	$3,010	**$23,240**	$23,240	$0	**$0**
VPC One	$5,831,890	$2,823,350	**$3,008,540**	$1,105,410	$117,000	$0	**$1,786,130**	$893,060	$893,070	**$0**
VPC Two	$4,171,280	$1,935,270	**$2,236,010**	$790,790	$83,700	$0	**$1,361,520**	$680,760	$680,760	**$0**
Washington Square	$444,740	$226,430	**$218,310**	$159,900	$12,750	$5,760	**$39,900**	$39,900	$0	**$0**
Westwood Towers	$4,391,780	$1,883,890	**$2,507,890**	$1,910,470	$212,000	$165,310	**$220,110**	$220,110	$0	**$0**
TOTAL	**$72,129,210**	**$30,513,400**	**$41,615,810**	**$22,568,320**	**$2,691,660**	**$1,894,850**	**$14,460,980**	**$6,449,320**	**$6,506,410**	**$1,505,250**

HOC Owned/Managed Properties—FY 2016 Net Cash Flow Statement

Opportunity Housing and Development Corps FY 2016 Operating Budget	Total Operating Income	Total Operating Expenses	Net Operating Income	Annual Debt Services	Annual Escrow for RfR	Asset & Manage- Fees	FY 2016 Projected Cash Flow	Restricted Cash Flow	Development Corporations Fees	FY 2016 Net Cash Flow to HOC
Alexander House	$6,075,230	$2,054,630	**$4,020,600**	$1,804,130	$150,000	$254,630	**$1,811,840**	$0	$1,811,840	**$0**
Ambassador	$265,330	$770,870	**($505,540)**	$383,190	$68,980	$74,870	**($1,032,580)**	$0	$0	**($1,032,580)**
Barclay, The	$1,365,090	$392,470	**$972,620**	$681,300	$22,800	$62,220	**$206,300**	$0	$206,300	**$0**
Brooke Park	$124,620	$95,740	**$28,880**	$0	$10,800	$14,740	**$3,340**	$3,340	$0	**$0**
Brookside Glen (The Glen)	$1,561,610	$656,090	**$905,520**	$501,920	$102,510	$73,690	**$227,400**	$227,400	$0	**$0**
CDBG Units	$42,590	$23,830	**$18,760**	$930	$17,830	$0	**$0**	$0	$0	**$0**
Chelsea Towers	$317,990	$208,120	**$109,870**	$63,480	$8,400	$0	**$37,990**	$0	$0	**$37,990**
Chevy Chase Lake	$1,343,030	$483,160	**$859,870**	$533,430	$34,000	$55,670	**$236,770**	$0	$236,770	**$0**
Dale Drive	$104,580	$73,580	**$31,000**	$0	$15,070	$8,190	**$7,740**	$7,740	$0	**$0**
Diamond Square	$1,274,070	$856,310	**$417,760**	$118,700	$115,670	$22,460	**$160,930**	$160,930	$0	**$0**
Fairfax Court	$319,140	$112,050	**$207,090**	$56,580	$26,820	$14,740	**$108,950**	$0	$0	**$108,950**
Glenmont Crossing	$1,998,770	$849,300	**$1,149,470**	$828,910	$58,200	$79,420	**$182,940**	$164,250	$18,690	**$0**
Glenmont Westerly	$1,734,040	$738,360	**$995,680**	$538,810	$61,200	$83,510	**$312,160**	$128,290	$183,870	**$0**
Greenhills	$1,240,780	$438,380	**$802,400**	$318,560	$78,000	$57,500	**$348,340**	$348,340	$0	**$0**
Holiday Park	$315,970	$138,460	**$177,510**	$101,560	$14,400	$0	**$61,550**	$0	$0	**$61,550**
Jubilee Falling Creek	$34,760	$24,130	**$10,630**	$0	$2,000	$0	**$8,630**	$0	$0	**$8,630**
Jubilee Hermitage	$40,370	$29,910	**$10,460**	$0	$2,000	$0	**$8,460**	$0	$0	**$8,460**
Jubilee Woodedge	$34,250	$22,910	**$11,340**	$0	$2,000	$0	**$9,340**	$0	$0	**$9,340**
Ken Gar	$221,750	$130,710	**$91,040**	$65,490	$6,460	$2,360	**$16,730**	$16,730	$0	**$0**
Magruder's Discovery	$2,308,800	$699,310	**$1,609,490**	$939,730	$36,980	$0	**$632,780**	$0	$632,780	**$0**
McHome	$426,440	$305,490	**$120,950**	$0	$16,400	$0	**$104,550**	$0	$0	**$104,550**
McKendree	$165,420	$150,040	**$15,380**	$0	$11,200	$0	**$4,180**	$0	$0	**$4,180**
MetroPointe	$2,648,310	$799,200	**$1,849,110**	$1,955,490	$30,000	$8,680	**($145,060)**	$0	$0	**($145,060)**
Metropolitan, The	$7,283,340	$2,068,880	**$5,214,460**	$2,315,070	$97,200	$71,350	**$2,730,840**	$2,310,010	$420,830	**$0**
MHLP VII	$517,330	$258,080	**$259,250**	$40,470	$14,000	$0	**$204,780**	$0	$0	**$204,780**
MHLP VIII	$694,430	$379,200	**$315,230**	$0	$20,000	$0	**$295,230**	$0	$0	**$295,230**

HOC Owned/Managed Properties—FY 2016 Net Cash Flow Statement (cont.)

Opportunity Housing and Development Corps FY 2016 Operating Budget	Total Operating Income	Total Operating Expenses	Net Operating Income	Annual Debt Services	Annual Escrow for RfR	Asset & Loan Management Fees	FY 2016 Projected Cash Flow	Restricted Cash Flow	Development Corporations Fees	FY 2016 Net Cash Flow to HOC
(Cont.)										
Montgomery Arms	$1,989,330	$707,030	**$1,282,300**	$691,480	$46,200	$105,620	**$439,000**	$0	$439,000	**$0**
MPDU 2007 - Phase II	$83,850	$48,430	**$35,420**	$0	$0	$0	**$35,420**	$0	$0	**$35,420**
MPDU I (64)	$933,400	$520,660	**$412,740**	$229,660	$27,540	$0	**$155,540**	$0	$0	**$155,540**
TPM - MPDU II (59)	$854,450	$429,970	**$424,480**	$0	$17,700	$0	**$406,780**	$0	$406,780	**$0**
NCI Units	$166,830	$99,970	**$66,860**	$0	$66,860	$0	**$0**	$0	$0	**$0**
NSP Units	$87,610	$49,170	**$38,440**	$0	$38,440	$0	**$0**	$0	$0	**$0**
Oaks @ Four Corners, The	$1,351,270	$765,590	**$585,680**	$285,120	$172,000	$98,250	**$30,310**	$30,310	$0	**$0**
Paddington Square	$2,882,640	$990,390	**$1,892,250**	$1,206,130	$58,100	$108,640	**$519,380**	$259,690	$259,690	**$0**
Paint Branch	$161,320	$124,700	**$36,620**	$0	$8,400	$0	**$28,220**	$28,220	$0	**$0**
Parkway Woods	$276,510	$165,910	**$110,600**	$74,070	$8,160	$2,670	**$25,700**	$25,700	$0	**$0**
TPM - Pomander Court	$398,910	$175,680	**$223,230**	$205,550	$7,200	$7,410	**$3,070**	$0	$3,070	**$0**
Pooks Hill High-Rise	$2,948,390	$1,061,380	**$1,887,010**	$1,032,910	$152,260	$202,520	**$499,320**	$0	$499,320	**$0**
Pooks Hill Mid-Rise	$950,360	$299,340	**$651,020**	$364,610	$64,460	$40,940	**$181,010**	$0	$0	**$181,010**
Sandy Spring Meadow	$514,510	$291,780	**$222,730**	$165,590	$18,700	$5,970	**$32,470**	$32,470	$0	**$0**
Scattered Sites One	$2,605,630	$1,539,870	**$1,065,760**	$566,900	$94,960	$23,000	**$380,900**	$0	$380,900	**$0**
Scattered Sites Two	$791,140	$421,910	**$369,230**	$298,790	$74,410	$0	**($3,970)**	$0	$0	**($3,970)**
Seneca Ridge	$861,880	$398,380	**$463,500**	$327,680	$24,130	$11,820	**$99,870**	$99,870	$0	**$0**
Sligo MPDU III	$292,140	$231,790	**$60,350**	$0	$8,000	$0	**$52,350**	$0	$52,350	**$0**
Southbridge	$449,110	$222,880	**$226,230**	$0	$10,800	$31,930	**$183,500**	$0	$0	**$183,500**
State Rental Combined	$1,808,440	$1,462,080	**$346,360**	$0	$87,100	$0	**$259,260**	$259,260	$0	**$0**
Strathmore Court	$3,576,640	$1,187,290	**$2,389,350**	$1,200,920	$107,540	$123,630	**$957,260**	$331,400	$0	**$625,860**
TPM - Timberlawn	$2,027,560	$679,910	**$1,347,650**	$1,041,810	$26,750	$125,160	**$153,930**	$0	$153,930	**$0**
Towne Centre Place	$443,290	$290,340	**$152,950**	$111,030	$16,660	$4,000	**$21,260**	$21,260	$0	**$0**
VPC One	$5,996,440	$2,774,370	**$3,222,070**	$1,105,410	$117,000	$0	**$1,999,660**	$999,830	$999,830	**$0**
VPC Two	$4,392,130	$1,926,600	**$2,465,530**	$790,790	$83,700	$0	**$1,591,040**	$795,520	$795,520	**$0**
Washington Square	$644,910	$330,670	**$314,240**	$213,000	$17,000	$7,680	**$76,560**	$76,560	$0	**$0**
Westwood Towers	$4,567,940	$1,951,860	**$2,616,080**	$1,967,790	$212,000	$173,570	**$262,720**	$262,720	$0	**$0**
TOTAL	**$74,514,670**	**$31,907,160**	**$42,607,510**	**$23,126,990**	**$2,588,990**	**$1,956,840**	**$14,934,690**	**$6,589,840**	**$7,501,470**	**$843,380**

Bond Program—Revenue and Expense Statement

Bond Fund	FY 2012 Actual	FY 2013 Actual	FY 2014 Amended Budget	FY 2015 Adopted Budget	FY 2016 Adopted Budget
Operating Expenses					
Trustee Fees	$101,678	$85,867	$81,590	$85,630	$74,100
Lender Services Fees	$2,048,883	$2,098,979	$2,180,510	$2,056,970	$2,017,280
Loan Losses	$431,064	$689,381	$0	$396,950	$505,800
TOTAL OPERATING EXPENSES	**$2,581,625**	**$2,874,227**	**$2,262,100**	**$2,539,550**	**$2,597,180**
NET OPERATING INCOME	**($2,581,625)**	**($2,874,227)**	**($2,262,100)**	**($2,539,550)**	**($2,597,180)**
Non-Operating Income					
Investment Interest Income	$36,295,414	$34,625,007	$37,058,360	$36,495,220	$36,007,610
Miscellaneous Income	$562,027	$1,472,056	$235,420	$246,420	$299,950
TOTAL NON-OPERATING INCOME	**$36,857,441**	**$36,097,063**	**$37,293,780**	**$36,741,640**	**$36,307,560**
Non-Operating Expenses					
Interest Payment	$28,930,803	$26,014,130	$30,156,510	$28,615,560	$28,367,150
Operating and Replacement Reserves	$4,100,067	$4,054,866	$3,649,420	$3,880,740	$3,594,970
Miscellaneous Bond Financing Expenses	$1,244,946	$3,153,840	$1,225,750	$1,705,790	$1,748,260
TOTAL NON-OPERATING EXPENSES	**$34,275,816**	**$33,222,836**	**$35,031,680**	**$34,202,090**	**$33,710,380**
NET NON-OPERATING ADJUSTMENTS	**$2,581,625**	**$2,874,227**	**$2,262,100**	**$2,539,550**	**$2,597,180**
NET CASH FLOW	**$0**	**$0**	**$0**	**$0**	**$0**

This page intentionally left blank.

Section 2:

OPERATING

Tab

Division Summaries

Adopted Budget
June 4, 2014

Agency Divisions

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

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

Special points of interest:

Operating Budget

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

Agency Revenues by Division

Division Summary	FY 2015 Adopted Budget Revenues	Expenses	Net
Divisions			
Executive Division	$0	$10,743,680	**($10,743,680)**
Finance Division	$129,140	$4,703,880	**($4,574,740)**
Housing Resources Division	$93,473,030	$94,014,410	**($541,380)**
Mortgage Finance Division	$5,250,040	$3,778,990	**$1,471,050**
Property Management Division	$83,639,630	$78,755,750	**$4,883,880**
Real Estate Development Division	$2,272,660	$1,337,310	**$935,350**
Resident Services Division	$12,263,400	$12,263,400	**$0**
SUB-TOTAL	**$197,027,900**	**$205,597,420**	**($8,569,520)**
Other Non-Divisions			
Agency Wide Revenue and Expenses	$13,122,780	$4,553,260	**$8,569,520**
Bond Funds	$36,741,640	$36,741,640	**$0**
TOTAL - ALL FUNDS	**$246,892,320**	**$246,892,320**	**$0**

Division Summary	FY 2016 Adopted Budget Revenues	Expenses	Net
Divisions			
Executive Division	$0	$10,854,590	**($10,854,590)**
Finance Division	$129,140	$4,908,410	**($4,779,270)**
Housing Resources Division	$94,038,350	$94,850,500	**($812,150)**
Mortgage Finance Division	$5,016,800	$3,945,810	**$1,070,990**
Property Management Division	$83,520,840	$79,188,290	**$4,332,550**
Real Estate Development Division	$2,483,200	$1,407,940	**$1,075,260**
Resident Services Division	$12,642,800	$12,642,800	**$0**
SUB-TOTAL	**$197,831,130**	**$207,798,340**	**($9,967,210)**
Other Non-Divisions			
Agency Wide Revenue and Expenses	$13,612,400	$3,645,190	**$9,967,210**
Bond Funds	$36,307,560	$36,307,560	**$0**
TOTAL - ALL FUNDS	**$247,751,090**	**$247,751,090**	**$0**

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

Performance data is collected by HOC for two primary reasons:

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

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

The following programs are in this category:

- Public Information Activities/Housing Resource Services;
- Information Technologies;
- Finance —
    - Accounting,
    - Budget,
    - Procurement;
- Public Housing;
- Housing Choice Voucher Program Administration;
- Multifamily Bond Issuance;
- Mortgage Purchase Program;
- Family Self Sufficiency Program (FSS);
- Aiming for Careers;
- Employment Initiative Program (EIP);
- Family Resource Centers (FRC);
- Programming for Youth, Families and Seniors;
- Service Coordination Family Properties;
- Service Coordination Senior Properties;
- Disability Services;
- Customer Service Centers; and
- Housing Programs for Homeless / Disabled Single Adults and Families.

Individual performance measurement results are contained within respective division summaries (pages 2-3 through 2-45).

Executive Division

Mission Statement

The Executive Division's mission is to provide the critical link in implementing HOC's mission to provide affordable housing, to create and maintain an environment that ensures nondiscrimination and equal opportunity in housing and employment, to ensure fulfillment of the Commission's five roles: policy direction, resource allocation, accountability, advocacy, and selection of certain professionals, to give HOC reliable management information hardware and software that is compatible with business and government standards, and to provide the staff skills necessary to identify needs and meet those requirements.

Special points of interest:

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

Description

The Executive offices are responsible for the Agency direction and coordination, Commissioner support, equal employment, Human Resource administration, labor relations, Agency-wide training, performance-based management, Agency records, office facility management, legal counsel, internal audits, Compliance, Information Technology (IT) systems, Legislative and Public Affairs, and Housing Information Activities (formerly Housing Resource Services).

Program Objectives

Maintain a Quality Workforce

- Administer the HOC Ethics Policy which will establish guidelines and standards of behavior for HOC staff.
- Develop recruitment strategies to assist divisions in efficient, effective and timely recruitment of qualified candidates.
- Support the Resident Services Division in the completion of the Resident Services Reorganization.
- Administer and monitor pre-employment drug testing program for new employees and alcohol and drug testing program for new and existing staff.
- Together with the Finance Division, identify a vendor to provide Payroll and Human Resources Information software and services and begin conversion to the new platform.
- Develop and implement a comprehensive Employee Training Program to enhance employee development and

increase skills.

- Provide continuing education and technical assistance for HOC employees and supervisors on policies and practices governing the Commission and its work activities.
- Administer the Labor Agreement with Municipal and County Government Employees Organization (MCGEO).
- Provide supervisory training on the Collective Bargaining Agreement.
- Coordinate the work program of the Labor Management Relations Committee to address and resolve substantive labor issues.
- Create a new Trades Maintenance Worker III job classification category in concert with the joint HOC/MCEGO Labor Management Relations Committee (LMRC).
- In partnership with the Property Management Division and MCGEO, develop a program to expand and enhance the skills of HOC's maintenance staff.

Ensure Compliance with EEO, and ADA Regulations

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

Continuous Improvement and Operational Efficiency of HOC

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

Facilities Management

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

Internal Audit

- 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.

Compliance Department

The duties, objective and responsibility are:

- DUTY - The Compliance Department has a duty to work with management and staff to identify and manage regulatory risk.
- OBJECTIVE - The overriding objectives of the department are to ensure the Agency has systems of internal control that adequately measure and manage the risks that it faces.

- RESPONSIBILITY - The general responsibility of the department is to provide an in-house service that effectively supports the Agency's business areas in their duty to comply with relevant laws and regulations and internal procedures.

Five key functions of the Compliance Department are:

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

Information Technology

- Provide and maintain a high quality, open architecture, service-based information technology infrastructure.
- Update the technology infrastructure to allow for improved telecommunications operations and network capabilities.
- Enhance customer service initiatives to HOC clients through the use of Kiosks and online (web based) systems.
- Improve technology-related security through the addition of systems, tools and policies.
- Expand technology-related services throughout all aspects of operations to provide enhancements and operational improvements.
- Provide for and expand HOC Connects laptop program.

Legislative and Public Affairs—

Government Relations Activities

- Develop and pursue a legislative agenda at all levels of government to secure more funding for housing production.
- Strengthen HOC's relationships with government at the local, state and federal levels.
- Collaborate with the Planning Board, County Government and the community on Master Plans and related activities to create current and future opportunities for affordable housing.
- Assure effective involvement of HOC in the planning process, council, state and federal public hearings and civic and neighborhood meetings.
- Expand HOC's advocacy efforts through broader Commission, staff and resident participation.

Public Affairs Activities

- Raise public awareness of HOC's goals and accomplishments.
- Strengthen HOC's relationships with the community, industry, non-profit and for-profit housing organizations and develop new partners.
- Participate in housing and industry conferences.
- Utilize HOC's resources to assist other entities in producing affordable housing.
- Improve communications with the Chamber of Commerce and the business community.

Housing Information Activities

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

Performance Measurement Results

Housing Information Activities (Formerly Housing Resource Services)

The Housing Resource Services (HRS) began operations in December of 1998. Its objective was to respond quickly to information requests regarding HOC programs, and to be an accurate and reliable source of information about affordable housing in Montgomery County. HRS also served as the 'switchboard' for HOC's headquarters in Kensington. HRS provided referrals to other housing providers when appropriate, particularly for the elderly and the disabled, as well as for those seeking emergency assistance. Trained volunteers assisted the HRS office. HRS also provided service through community meetings, HOC's website, e-mail, and US Mail. HOC's Office of Legislative and Public Affairs has incorporated HRS' functions into its operations.

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

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

Housing Information Activities / Housing Resource Services

Measurement	FY 2012	FY 2013	FY 2014	FY 2015 Projection	FY 2016 Projection
Telephone calls from the public per day	76(1)	80(1)	75	85(1)	100(1)
Information packets mailed per day	5	5	5	5	5
Lobby visitors each day	55(2)	53(2)	48(2)	45(2)	40(2)
Website hits per day	685	687	920*(1)	950(1)	1,000(1)
E-mails received and answered per day	15	13	12	13	15

(1) Web and telephone contacts are projected to rise as the result of the scope of redevelopment projects and new service initiatives over the next several years.

(2) Lobby traffic has declined slightly since the opening of the HUB offices and is projected to continue on a slow decline as more services are administered through the HUBs.

Information Technologies (IT)

Over the years, HOC has become more reliant on computers and technology to improve services to our clients. One measurement of this use is reflected in the number of Help Desk Tickets issued during a given year. The chart below reflects the growth in Help Desk Tickets closed or resolved during the past four years.

Information Technologies

Measurement	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Number of Closed Help Desk Tickets	7,061	6,311	7,284	7,400 est.	7,700 est.

Budget Overview—Executive Division

The total Adopted FY 2015-2016 Budget for the Executive Division is $10.74 million, and $10.85 million, respectively, which represents an increase of 15.4% in FY 2015, and 1.0% in FY 2016. Personnel costs comprise 55.9% and 58.2% of the FY 2015-2016 budget, respectively. Operating expenses account for 19.3% of the budget in FY 2015, and 18.0% in FY 2016. Maintenance and other miscellaneous expenses account for 5.5% of the budget in FY 2015, and 6.9% in FY 2016.

The remaining 19.3% and 16.9% in FY 2015 and FY- 2016, respectively, accounts for debt service, Replacement for Reserve (RfR) contribution expenses for the Information Technology (IT) and Facilities Capital Budget, and funding of the FY 2015 and FY 2016 capital budgets for IT and Facilities. **Please note that the FY 2015-2016 Budget reflects changes as a result of the Agency re-organization.**

Revenue and Expense Statement

Executive Division	FY 2012 Actual	FY 2013 Actual	FY 2014 Amended Budget	FY 2015 Adopted Budget	FY 2016 Adopted Budget
Operating Income					
Management Fees	$7,250	$0	$0	$0	$0
Miscellaneous Income	$1,416	$20	$0	$0	$0
TOTAL OPERATING INCOME	**$8,666**	**$20**	**$0**	**$0**	**$0**
Operating Expenses					
Personnel Expenses	$4,070,479	$4,976,559	$5,695,750	$6,008,660	$6,318,170
Operating Expenses - Fees	$133,716	$554,972	$154,330	$30,580	$1,000
Operating Expenses - Administrative	$1,227,002	$1,422,922	$1,772,910	$2,041,340	$1,946,440
Tenant Services Expenses	$45,632	$65,524	$12,870	$13,790	$13,790
Protective Services Expenses	$43,857	$43,188	$46,800	$43,710	$43,700
Utilities Expenses	$160,269	$153,317	$162,320	$138,240	$138,240
Insurance and Tax Expenses	$4,000	$7,200	$3,880	$2,590	$2,760
Maintenance Expenses	$616,981	$575,029	$426,920	$392,560	$552,590
TOTAL OPERATING EXPENSES	**$6,301,936**	**$7,798,711**	**$8,275,780**	**$8,671,470**	**$9,016,690**
NET OPERATING INCOME	**($6,293,270)**	**($7,798,691)**	**($8,275,780)**	**($8,671,470)**	**($9,016,690)**
Non-Operating Income					
Investment Interest Income	$0	$37	$0	$0	$0
Transfer Between Funds	$94,795	$605,465	$555,190	$0	$0
TOTAL NON-OPERATING INCOME	**$94,795**	**$605,502**	**$555,190**	**$0**	**$0**
Non-Operating Expenses					
Interest Payment	$25,077	$18,550	$13,530	$3,980	$0
Principal Payment	$389,757	$312,738	$317,760	$176,930	$0
Operating and Replacement Reserves	$200,000	$50,000	$200,000	$200,000	$200,000
Restricted Cash Flow	$0	$150,936	$0	$0	$0
Transfer Out Between Funds	$321,362	$1,251,575	$505,190	$1,691,300	$1,637,900
TOTAL NON-OPERATING EXPENSES	**$936,196**	**$1,783,799**	**$1,036,480**	**$2,072,210**	**$1,837,900**
NET NON-OPERATING ADJUSTMENTS	**($841,401)**	**($1,178,297)**	**($481,290)**	**($2,072,210)**	**($1,837,900)**
NET CASH FLOW	**($7,134,671)**	**($8,976,988)**	**($8,757,070)**	**($10,743,680)**	**($10,854,590)**

This page intentionally left blank.

Finance Division

Adopted Budget
June 4, 2014

Mission Statement

The mission of the Finance Division is to enhance the effective and efficient operations of HOC by safeguarding the Commission's assets, ensuring the long term financial health of the organization by maintaining fiscal integrity, and providing the Commission and Agency with necessary financial information and analysis on a timely basis to enable the implementation of sound fiscal policies.

Special points of interest:

The Finance Division safeguards the assets of the Commission.

Description

The Finance Division is responsible for Agency financial management, cash management, rent collection, accounts payable, budgeting, purchasing, and the oversight of the Agency's portfolio.

Program Objectives

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

Performance Measurement Results

The charts below depict several ongoing performance measurement results that are currently tracked in the Finance Division. Staff is continuing to develop additional measurements.

Accounting					
Measurement	**FY12**	**FY13**	**FY14**	**FY15**	**FY16**
Received Standard Unqualified Audit Opinion:					
Agency Audit	Yes	Yes	NA	NA	NA
HOC Owned Property Audits	Yes	Yes	NA	NA	NA
Non-HOC Owned Property Audits	Yes	Yes	NA	NA	NA
A-133 Audit	Yes	Yes	NA	NA	NA
Number of consecutive years receiving GFOA Certificate of Achievement for Excellence in Financial Reporting	4	5	NA	NA	NA

Budget					
Measurement	**FY12**	**FY13**	**FY14**	**FY15**	**FY16**
Number of consecutive years receiving GFOA Best Budget Award	8	9	10	NA	NA

Procurement					
Measurement	**FY12**	**FY13**	**FY14**	**FY15**	**FY16**
Number of Contracts Awarded	325	220	199	225 (est.)	245 (est.)
Percent of Dollars issued to Minority/ Female/Disabled-Outreach (MFD) firms	32%	18%	15%	20% (est.)	20% (est.)
Number of Purchase Orders (POs) issued	15,597	13,511	12,100	12,500 (est.)	12,500 (est.)

Budget Overview—Finance Division

The total Adopted FY 2015-2016 Budget for the Finance Division is $4.67 million and $4.87 million, respectively. This represents a decrease in FY 2015 of 6.6% from the FY 2014 Amended Budget of $4.99 million, and an increase in FY 2016 of 4.4% from FY 2015. Personnel costs comprise 94.8% and 95.7% of total operating expenses in FY 2015 and FY 2016, respectively. Fees, Administrative expenses, and Interest Payments account for the balance of the budget. **Please note that the FY 2015-2016 Adopted Budget reflects changes as a result of the Agency re-organization.**

Revenue and Expense Statement

Finance Division	FY 2012 Actual	FY 2013 Actual	FY 2014 Amended Budget	FY 2015 Adopted Budget	FY 2016 Adopted Budget
Operating Income					
Miscellaneous Income	$2,474	$1,330	$0	$2,000	$2,000
TOTAL OPERATING INCOME	**$2,474**	**$1,330**	**$0**	**$2,000**	**$2,000**
Operating Expenses					
Personnel Expenses	$3,387,291	$3,845,647	$4,768,280	$4,421,790	$4,659,700
Operating Expenses - Fees	$126,302	$109,234	$81,450	$93,450	$96,060
Operating Expenses - Administrative	$94,893	$117,723	$83,060	$89,180	$53,190
Tenant Services Expenses	$523	$738	$920	$820	$820
Insurance and Tax Expense	$42	$0	$0	$0	$0
Maintenance Expenses	$0	$2,894	$60,000	$60,000	$60,000
TOTAL OPERATING EXPENSES	**$3,609,051**	**$4,076,236**	**$4,993,710**	**$4,665,240**	**$4,869,770**
NET OPERATING INCOME	**($3,606,577)**	**($4,074,906)**	**($4,993,710)**	**($4,663,240)**	**($4,867,770)**
Non-Operating Income					
Investment Interest Income	$6,914	$38,457	$55,000	$127,140	$127,140
TOTAL NON-OPERATING INCOME	**$6,914**	**$38,457**	**$55,000**	**$127,140**	**$127,140**
Non-Operating Expenses					
Interest Payment	$2,223	$25,954	$27,000	$38,640	$38,640
TOTAL NON-OPERATING EXPENSES	**$2,223**	**$25,954**	**$27,000**	**$38,640**	**$38,640**
NET NON-OPERATING ADJUSTMENTS	**$4,691**	**$12,503**	**$28,000**	**$88,500**	**$88,500**
NET CASH FLOW	**($3,601,886)**	**($4,062,403)**	**($4,965,710)**	**($4,574,740)**	**($4,779,270)**

This page intentionally left blank.

Housing Resources Division

Mission Statement

The mission of the Housing Resources Division is to provide quality customer service while determining housing assistance subsidy eligibility to clients participating in the Housing Choice Voucher program and Low Income Public Housing program. The Division educates and supports clients, landlords and the citizens of the County on the program operations, and maintains the highest compliance possible within Federal, State and County statutes and regulations. The Division operates Customer Service Centers in Gaithersburg and Silver Spring.

Description

The HCV and LIPH Programs are the Federal Government's principal rental assistance programs available to low and very low-income families, the elderly and the disabled.

The Housing Resources Division is responsible for administering the Housing Choice Voucher (HCV) Program and client eligibility aspects of the LIPH Program. The functions include:

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

Special points of interest:

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

Program Objectives

- To improve customer service and program operations through better utilization of staff and technology.
- To maintain a High Performer ranking in Section Eight Management Assessment Program (SEMAP).
- To ensure that income reporting of all participants is accurate using the Enterprise Income Verification (EIV) system.
- To ensure that program rent payments are reasonable.
- To fully utilize the CY 2014 and CY 2015 HUD funding allocations and effectively serve as many program-eligible families as possible.
- To provide expert information to members of the Agency staff on federally regulated programs.
- To ensure HOC's compliance, for both the programs and clients, with the U.S. Department of Housing and Urban Development regulations.

Performance Measurement Results

SEMAP

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

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

SEMAP is composed of 14 performance indicators and one bonus indicator. Each performance indicator represents a critical component for operating a well-run HCV Program. PHAs with a SEMAP score of at least 90 percent shall be rated as high performers. PHAs with a SEMAP score of 60 to 89 percent shall be rated as standard performers. PHAs with a SEMAP score of less than 60 percent shall be rated troubled performers.

HOC was ranked as a standard performer in 2010, receiving 125 points out of a possible 145 for an overall rating of 86 percent. In 2011, HOC returned to its designation as a high performer receiving 130 points out of a possible 145 for an overall rating of 90 percent. HOC maintained its high performer rating in 2012 and 2013, increasing the total points received from 130 to 140 points out of a possible 145 for an overall rating of 97 percent in both years. The increase resulted from restoring the 10 points lost for Housing Quality Standards (HQS) Enforcement concerns.

HOC anticipates maintaining its high performer designation in 2014 and will again be certifying for a preliminary score of 140 points out of a possible 145 for an overall rating of 97 percent. However, the reduction in Administration fees that HOC has experienced over the last few years has not been accompanied by a similar reduction in regulated, administrative processes. HOC is working with industry partners to reduce the administrative process and does not anticipate this concern to greatly affect the Agency's SEMAP score.

SEMAP Score								
SEMAP Component	Actual Score FY 2012	Max Score FY 2012	Actual Score FY 2013	Max Score FY 2013	Preliminary Score FY 2014	Max Score FY 2014	Preliminary Score FY 2015	Max Score FY 2015
Selection from the Waiting List	15.0	15.0	15.0	15.0	15.0	15.0	NA	15.0
Reasonable Rent	15.0	20.0	15.0	20.0	15.0	20.0	NA	20.0
Adjusted Income Determination	15.0	20.0	15.0	20.0	15.0	20.0	NA	20.0
Utility Allowance Schedule	5.0	5.0	5.0	5.0	5.0	5.0	NA	5.0
HQS Quality Control Inspection	5.0	5.0	5.0	5.0	5.0	5.0	NA	5.0
HQS Enforcement	10.0	10.0	10.0	10.0	10.0	10.0	NA	10.0
Expanding Housing Opportunities	5.0	5.0	5.0	5.0	5.0	5.0	NA	5.0
Fair Market Rent "FMR" Limit and Payment Standard (PS)	5.0	5.0	5.0	5.0	5.0	5.0	NA	5.0
Annual Re-examination	10.0	10.0	10.0	10.0	10.0	10.0	NA	10.0
Correct Tenant Rent Calculations	5.0	5.0	5.0	5.0	5.0	5.0	NA	5.0
Pre-Contract Housing Quality Standards (HQS) Inspections	5.0	5.0	5.0	5.0	5.0	5.0	NA	5.0
Annual HQS Inspections	10.0	10.0	10.0	10.0	10.0	10.0	NA	10.0
Lease-Up	20.0	20.0	20.0	20.0	20.0	20.0	NA	20.0
Family Self-Sufficiency (FSS) Enrollment with Escrow Accounts	10.0	10.0	10.0	10.0	10.0	10.0	NA	10.0
Program Subtotal	135.0	145.0	135.0	145.0	135.0	145.0	NA	145.0
De-concentration Bonus *	5.0		5.0		5.0		NA	
Overall	140.0	145.0	140.0	145.0	140.0	145.0	NA	145.0

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

Budget Overview—Housing Resources Division

Total projected operating expenses in the FY 2015-2016 Adopted Budget for the Housing Resources Division not related to HAP are $7.37 million and $7.64 million, respectively. Personnel costs comprise 59.4% of the budget in FY 2015, and 60.3% in FY 2016. Other expenses account for the remainder of the budget. **Please note that the FY 2015-2016 Adopted Budget reflects changes as a result of the Agency re-organization.**

Revenue and Expense Statement

Housing Resources Division	FY 2012 Actual	FY 2013 Actual	FY 2014 Amended Budget	FY 2015 Adopted Budget	FY 2016 Adopted Budget
Operating Income					
Federal Grant	$79,532,406	$84,178,549	$82,584,190	$89,765,820	$92,480,450
County Grant	$753,079	$744,655	$759,160	$968,710	$955,590
Miscellaneous Income	$140,190	$105,651	$70,000	$70,000	$70,000
TOTAL OPERATING INCOME	**$80,425,675**	**$85,028,855**	**$83,413,350**	**$90,804,530**	**$93,506,040**
Operating Expenses					
Personnel Expenses	$3,570,155	$3,409,272	$3,767,500	$4,376,010	$4,610,180
Operating Expenses - Fees	$2,437,742	$2,245,293	$2,066,220	$2,203,760	$2,235,660
Operating Expenses - Administrative	$307,295	$375,185	$731,330	$723,290	$733,040
Protective Services	$3,702	$3,906	$3,960	$3,800	$3,800
Utilities Expenses	$13,974	$15,399	$15,380	$16,100	$16,110
Maintenance Expenses	$33,315	$39,904	$38,060	$45,060	$45,060
Housing Assistance Payments (HAP)	$78,745,409	$79,776,804	$77,267,880	$86,403,260	$87,046,200
TOTAL OPERATING EXPENSES	**$85,111,592**	**$85,865,763**	**$83,890,330**	**$93,771,280**	**$94,690,050**
NET OPERATING INCOME	**($4,685,917)**	**($836,908)**	**($476,980)**	**($2,966,750)**	**($1,184,010)**
Non-Operating Income					
Investment Interest Income	$13,675	($1,588)	$0	$0	$0
Transfer Between Funds	$5,629,802	$940,558	$341,590	$2,668,500	$532,310
TOTAL NON-OPERATING INCOME	**$5,643,477**	**$938,970**	**$341,590**	**$2,668,500**	**$532,310**
Non-Operating Expenses					
Operating and Replacement Reserves	$327,404	$0	$0	$0	$0
Transfer Out Between Funds	$100,000	$100,000	$730,470	$243,130	$160,450
TOTAL NON-OPERATING EXPENSES	**$427,404**	**$100,000**	**$730,470**	**$243,130**	**$160,450**
NET NON-OPERATING ADJUSTMENTS	**$5,216,073**	**$838,970**	**($388,880)**	**$2,425,370**	**$371,860**
NET CASH FLOW	**$530,156**	**$2,062**	**($865,860)**	**($541,380)**	**($812,150)**

Mortgage Finance Division

Adopted Budget
June 4, 2014

Mission Statement

The mission of the Mortgage Finance Division is to raise capital by utilizing traditional and innovative methods, to preserve and create decent, safe and affordable rental and home ownership housing in Montgomery County, MD, to assure continued availability of such housing and to generate revenue to benefit HOC programs.

Description

The Mortgage Finance Division is the housing finance business of the Housing Opportunities Commission as well as the Housing Finance Agency for Montgomery County. It raises funds in the capital markets through the issuance of tax-exempt bonds for Single Family and Multifamily programs. It also provides taxable bond financing to transactions where a tax-exempt structure is not appropriate. Through its financing activity, the Mortgage Finance Division enables HOC to provide below market interest rate mortgages for homeownership, finances HOC's multifamily acquisition and development activities and finances the acquisition and development of private projects that include an affordable housing component. Additional sources of capital are also tapped to leverage bond funds more efficiently, including Federal, State, and County programs. The Federal Housing Administration (FHA) programs including the Risk Sharing Program, 221 (d)(4) and 223 (f) insurance is also utilized to enhance the Multifamily bond financing program. The Mortgage Finance Division is further responsible for managing the loan portfolio, assisting residents in subsidized housing to become homebuyers, and managing the Montgomery County and HOC's Closing Cost Assistance programs.

Program Objectives

The Mortgage Finance Division has four functional areas: Multifamily Underwriting and Loan Origination, Multifamily Portfolio Management, Single Family Programs and Loan Management, and the HOC Home Ownership Program.

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.

Multifamily Programs

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

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

Multifamily Underwriting and Loan Origination

- Underwrite and prepare multifamily developments for bond financing by providing timely reviews and thorough evaluation of loan risk.
- Administer the FHA Risk Sharing Program that provides credit enhancement to worthy developments while minimizing risk to the Commission and FHA.
- Negotiate the refinance and restructuring of loans that may be otherwise refinanced at market rate and possibly eliminate the affordability component for the property.
- Evaluate HOC's bond financed properties and seek opportunities to lower borrowing costs by restructuring the financing.
- Identify additional sources of equity capital and debt for affordable housing.

FHA Fully-Insured Mortgage Programs

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

Portfolio Management

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

Single Family Programs

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

- Complete two or four bond redemptions per year, to reduce overall borrowing cost in the program.
- Make approximately 130 first mortgages to first time homebuyers using Mortgage Backed Securities (MBS) and the secondary market.
- Offer conventional financing through the Fannie Mae Housing finance Agency (HFA) Preferred Loan Program.
- Oversee the servicing of the active loan portfolio of approximately 1,100 first mortgages by 12 servicers and approximately 406 County closing cost assistance loans.
- Operate the HOC Homeownership Program (HOC/HOP) which prepares HOC residents for homeownership by providing direct counseling and homebuyer education classes.
- Manage the lending process for the Housing Choice Voucher Homeowner participants.
- Administer various programs that provide closing cost assistance.

Closing Cost Assistance Program

On March 22, 2005, the County Council approved the program design and financial management plan for a new **Revolving County Closing Cost Assistance Program**. This program provides closing cost and down payment assistance for first time home buyers in the County. The assistance is a secured second mortgage. Borrower's monthly repayments are made through automatic withdrawal from a bank account, minimizing the delinquencies in the program. In FY 2009, the County registered to participate in the State of Maryland (the "State") closing cost assistance program known as "House Keys 4 Employees" (HK4E). The State provides matching funds of up to $3,500, with the County's portion funded from the appropriations to the Revolving County Closing Cost Assistance Program. The Commission is designated as the administrator of the programs.

Mortgage Backed Securities

On May 2, 2012, the Commission adopted a resolution approving the implementation of a Mortgage Backed Securities (MBS) program for the Mortgage purchase program (MPP) and the allocation of $10 million from the PNC Bank, N.A. line of credit for use by the Single Family Mortgage Purchase MBS Program.

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

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

FANNIE MAE HFA Preferred Loan Program

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

HOC Homeownership Programs

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

- The HOC/HOP Program offers new MPDU units owned by HOC to be purchased by qualified HOC residents.
- Provide training, budgeting, homes to purchase, and educational opportunities to residents who are preparing to become homeowners.
- Administer Federal and local programs that provide purchase opportunities for HOC residents.

Performance Measurement Results

Multifamily Bond Issuance

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

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

Since FY 2011, 2,642 units were financed or refinanced in order to achieve or maintain a public purpose of 1,782 affordable units. Stated differently, 67% of the units provided some level of public purpose. With projected activities for FY 2015, the multifamily program will have been involved with the financing or refinancing of 3,551 units (2,507 affordable units or 71%) since FY 2011. It is too soon to project the financing activities for FY 2016, but there are a number of HOC and private sector development projects in process that will seek financing from the Multifamily financing program.

Multifamily Bond Issuance					
	FY 2012	**FY 2013**	**FY 2014**	**FY 2015 Projection**	**FY 2016 Projection**
Number of Loans	2	3	-	6	-
Total Units	611	1,740	-	909	-
Total Affordable Units	3,428	1,262	-	725	-
% of Affordable Units	56%	73%	-	80%	-
Total Bond Issuance	$61,540,000	$85,795,000	-	$79,441,539	-
% of Area Median Income Served	30%-60%	30-60%	-	30-60%	-

Activities in the Mortgage Purchase Program

The following table illustrates the activities in the Mortgage Purchase Program (MPP) for the past four fiscal years. The MPP is rebuilding after a significant refinancing and prepayment trend over the past few years, as homeowners capitalized on the period of historically low mortgage interest rates.

Mortgage Purchase Program					
	FY 2012	FY 2013	FY 2014	FY 2015 Projection	FY 2016 Projection
Number of Bond Issues	2	2	0	0	0
Total Available Bond Proceeds ($ millions)	$31	$31	NA	NA	NA
Number of MBS Pools	NA	NA	12	12	12
Total MBS Proceeds ($ million)	NA	NA	$20.1	$29.25	$29.25
Loans Made	107	102	101	130	130
Average Loan	$208,812	$205,441	$199,020	$225,000	$225,000
Average Income	$70,090	$65,448	$65,040	$65,040	$67,667
Percentage of Area Median Income	65%	61%	61%	61%	61%
Washington DC MDA Area Median (2% growth rate projected for FY 2015 and FY 2016	$107,500	$107,300	$107,000	$109,140	$111,322
Number of Closing Cost Loans (Includes County Closing Cost and 3% Purchase Assistance loans)	75	100	112	140	140
Total Closing Cost Provided	$615,000	$830,000	$735,195	$924,800	$924,800

Budget Overview—Mortgage Finance

The total Adopted FY 2015-2016 budgeted revenues for the Mortgage Finance Division are $5.25 million and $5.02 million, respectively. Total expenses in the FY 2015-2016 Budget are $3.78 million and $3.95 million, respectively. Personnel costs comprise 55.3% of the budget in FY 2015 and 55.9% in FY 2016. Operating expenses and other miscellaneous expenses account for 29.3% of the budget in both FY 2015 and FY 2016, while non-operating expenses account for the remaining 15.4% in FY 2015 and 14.7% in FY 2016. FHA Risk Sharing Insurance is a pass through expense with offsetting income. **Please note that the FY 2015-2016 Adopted Budget reflects changes as a result of the Agency re-organization.**

Revenue and Expense Statement

Mortgage Finance Division	FY 2012 Actual	FY 2013 Actual	FY 2014 Amended Budget	FY 2015 Adopted Budget	FY 2016 Adopted Budget
Operating Income					
County Grant	$143,330	$148,655	$159,180	$165,180	$174,130
Management Fees	$1,499,426	$1,790,110	$2,453,800	$1,618,960	$1,227,420
Miscellaneous Income	$6,250	$15,860	$7,500	$7,500	$7,500
TOTAL OPERATING INCOME	**$1,649,006**	**$1,954,625**	**$2,620,480**	**$1,791,640**	**$1,409,050**
Operating Expenses					
Personnel Expenses	$1,945,160	$2,151,396	$2,318,380	$2,091,160	$2,206,080
Operating Expenses - Fees	$869,510	$905,620	$1,088,580	$949,510	$1,001,170
Operating Expenses - Administrative	$189,934	$229,563	$231,960	$156,530	$156,770
Maintenance Expenses	$850	$0	$0	$0	$0
TOTAL OPERATING EXPENSES	**$3,005,454**	**$3,286,579**	**$3,638,920**	**$3,197,200**	**$3,364,020**
NET OPERATING INCOME	**($1,356,448)**	**($1,331,954)**	**($1,018,440)**	**($1,405,560)**	**($1,954,970)**
Non-Operating Income					
FHA Risk Sharing Insurance	$607,957	$701,487	$590,420	$573,150	$573,150
Investment Interest Income	$0	$18,963	$0	$0	$0
Transfer Between Funds	$2,761,770	$2,912,727	$3,333,850	$2,885,250	$3,034,600
TOTAL NON-OPERATING INCOME	**$3,369,727**	**$3,633,177**	**$3,924,270**	**$3,458,400**	**$3,607,750**
Non-Operating Expenses					
Interest Payment	$0	$4,161	$0	$0	$0
Mortgage Insurance	$20,082	$4,324	$12,320	$8,640	$8,640
FHA Risk Sharing Insurance	$607,957	$701,487	$590,420	$573,150	$573,150
Restricted Cash Flow	$13,876	$7,618	$0	$0	$0
Transfer Out Between Funds	$0	$1,090	$0	$0	$0
TOTAL NON-OPERATING EXPENSES	**$641,915**	**$718,680**	**$602,740**	**$581,790**	**$581,790**
NET NON-OPERATING ADJUSTMENTS	**$2,727,812**	**$2,914,497**	**$3,321,530**	**$2,876,610**	**$3,025,960**
NET CASH FLOW	**$1,371,364**	**$1,582,543**	**$2,303,090**	**$1,471,050**	**$1,070,990**

Property Management Division

Mission Statement

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

Special points of interest:

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

Description

The Property Management Division was restructured during FY 2013, and is now solely focused on managing the Agency's assets by operating the properties, providing preventative maintenance, responding to service requests, and managing the operating budgets for our properties. In addition, the function of rent collections has been moved from Finance to Property Management. Finally, asset and construction management has been assumed by the Agency's Real Estate Development Division (RED).

Property Management has also moved from a centralized operations model to 10 regional HUB offices. The 10 HUB offices now utilize existing HOC multifamily sites to manage all properties within a 5 mile radius of the HUB office. Staff has been reassigned to the HUBs to ensure adequate staffing to serve the clients. The immediate benefits of the HUB offices are that now clients have a property management office located within 5 miles of their home and our maintenance staff is better able to respond to service calls within a significantly smaller service area. We also expect to realize savings from reduced consumption of gasoline and less wear and tear on maintenance vehicles.

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

The 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.
- 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.
- Delivers quality services to a diverse population with a variety of programs and housing types.

In its role as Montgomery County's Public Housing Authority, HOC owns 1,101 units of Public Housing and 5,889 units of other types of housing including, but is not limited to, Section 236 properties, housing supported by Housing Choice Vouchers (HCV) and Project Based Vouchers (PBV). Of the units that HOC owns, 3,952 units are managed by a third party property manager, and 3,038 are managed by HOC. The Agency also provides housing under a number of Federal and State programs including HOME funds, State Partnership, Neighborhood Stabilization, Low Income Housing Tax Credits (LIHTC), and bond financed housing.

The properties within the agency portfolio originate from a wide variety of programs with complex regulatory requirements and many have multiple financing sources. In total, HOC administers more than 6,900 units of housing across the entire 520 square miles of Montgomery County. These units are found in a number of configurations including clustered family communities, senior housing in mid- and high-rise buildings, various types of apartments, townhouses and single family homes scattered throughout the County.

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

- Public Housing – twelve multifamily properties and 217 scattered sites - 1,101 units.
- HUD Project Based Section 8 – six properties – 517 units.
- HUD Section 236 – six properties – 712 units.
- State Rental Partnership – 196 units.
- Low Income Housing Tax Credit (LIHTC) Programs - 18 different partnerships – 1,559 units.
- Scattered-site rental units – 1,458 units.
- Mixed Income Properties – 21 properties - 2,822 units.
- Senior Properties for Independent Living - nine properties - 1,113 units.
- Properties with Public Purpose at or below 60% AMI - 5,026 units or 72% of our total portfolio.
- Single Room Occupancy (SRO) – two properties – 284 units.
- Market Rate Units – 21 properties – 1,618 units.
- Contract Managed units for Montgomery County—5 units.

Properties in the portfolio that are not part of HOC's FY 2015-2016 Operating Budget but are on a calendar year include 712 Section 236 units and 1,425 Tax Credit Units.

Rental income from our Opportunity Housing properties is a primary source of funding for HOC's operations. We look to the properties to generate sufficient revenue to be self-supporting. At the same time, HOC's market rate units also contribute to the support of the units which are affordable to lower income households. For FY 2015-2016, HOC is projecting a slight increase in rental income over FY 2014.

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

Program Objectives

The Property Management Division is actively engaged in reinvigorating its efforts to deliver client focused service to our clients. The HUB structure described in the Budget Highlights section is intended to empower the property management staff to serve our clients and communities in a more conscientious and timely manner. The Division is also focused on operating in a transparent and financially accountable manner. Following is a list of measureable outcomes the division is currently seeking to achieve.

- Respond to all service requests and complete maintenance work orders within a 3-5 day period.
- Complete a comprehensive inspection of all scattered site units to ensure that all deferred maintenance requests are identified and resolved.
- Develop and implement a robust preventative maintenance program to ensure that all properties are maintained in optimal condition.
- Ensure that each HUB office is operating in a fiscally sound manner, which includes rent collection, lease enforcement, and sound management of the HUBs' operating and capital budgets.
- Work closely with the Real Estate Development team to ensure the capital needs of the portfolio are well documented and a sound plan for financing capital repairs is implemented.

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 (PHAs). 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.

On January 12, 2010, HUD released assessment guidance for what it called PHAS Transition Year 2, which applied to HOC's FY 2010 assessment. Following an appeal of HOC's initial designation as a Standard Performer, HUD revised HOC's FY 2010 PHAS score upward to 90, designating the agency as a High Performer.

On February 23, 2011, HUD published the Public Housing Assessment System (PHAS) Interim Rule, which became effective for PHAs with fiscal years ending March 31, 2011 and thereafter. HOC's FY 2011, which ended June 30, 2011, was the Agency's first to be evaluated under the new rule.

The rule changes the scoring rubric for PHAS. The resident survey is now subsumed into the management assessment, which is worth 25 points rather than its previous 30 point total. The financial assessment is also reduced in total points from 30 to 25 points. The physical inspections component has become the single most important factor, and will now total 40 rather than 30 points.

A new component, based on HUD's review of the Capital Fund Program (CFP), is worth 10 points. HUD had previously reviewed the CFP as part of its management assessment.

FY 2011 was the first year HUD evaluated HOC under the Interim Rule. HOC achieved an overall score of 84, and while this score is below HOC's historical marks, in part it reflects the challenges HOC faces in preparing for the physical inspection requirements implemented by REAC. HOC improved its score in 2012, receiving a total of 87 points from HUD. In 2013, HOC improved its score even further by submitting 91 points to HUD, but has not yet received the final 2013 PHAS score. The PHAS submission for 2014 will mirror that of 2013 with 91 points expected.

The Disposition is expected to adversely affect HOC's PHAS scoring during the transition and interim period. The unit vacancy levels will be higher and the turnover days great as we remove the 669 scattered site units from the Public Housing Portfolio. HOC will work with HUD directly on the variables associated with the Disposition and PHAS. HOC continues to recognize the importance of meeting the performance goals set by HUD.

PHAS Score

PHAS Score								
PHAS Component	Actual Score FY 2012	Max Score FY 2012	Preliminary Score FY 2013	Max Score FY 2013	Preliminary Score FY 2014	Max Score FY 2014	Preliminary Score FY 2015	Max Score FY 2015
Physical	33.0	30.0	35.0	40.0	35.0	40.0	NA	40.0
Financial	25.0	30.0	25.0	25.0	25.0	25.0	NA	25.0
Management	21.0	30.0	21.0	25.0	21.0	25.0	NA	25.0
Capital Fund Program	10.0	10.0	10.0	10.0	10.0	10.0	NA	10.0
Late Penalties	-2.0							
Overall	87.0	100.0	91.0	100.0	91.0	100.0	NA	100.0

Budget Overview—Property Management—Administrative

The Adopted FY 2015-2016 budgeted revenues for Property Management Division Administration are $6.36 million and $6.56 million, respectively. Total expenses in the FY 2015-2016 Operating Budget are $1.84 million and $1.93 million, respectively. Personnel costs comprise 83.3% of the operating budget in FY 2015 and 83.9% in FY 2016. Other operating costs constitute the remainder of the operating budget.

Revenue and Expense Statement

Property Management Division Administration	FY 2012 Actual	FY 2013 Actual	FY 2014 Amended Budget	FY 2015 Adopted Budget	FY 2016 Adopted Budget
Operating Income					
County Grant	$1,022,741	$1,037,920	$1,037,920	$1,037,920	$1,037,920
Management Fees	$5,441,524	$5,454,995	$3,749,010	$5,326,170	$5,521,500
Miscellaneous Income	$24,266	$56,311	$0	$0	$0
TOTAL OPERATING INCOME	**$6,488,531**	**$6,549,226**	**$4,786,930**	**$6,364,090**	**$6,559,420**
Operating Expenses					
Personnel Expenses	$2,377,141	$1,735,702	$1,668,190	$1,533,240	$1,616,190
Operating Expenses - Fees	$258,690	$45	$0	$0	$0
Operating Expenses - Administrative	$251,505	$83,973	$43,190	$83,830	$85,450
Tenant Services Expenses	$912	$1,651	$0	$0	$0
Protective Services Expenses	$6,524	$5,332	$6,000	$6,000	$6,000
Utilities Expenses	$72,102	$62,720	$75,460	$87,430	$87,430
Insurance and Tax Expenses	$2,500	$6,995	$1,960	$1,540	$1,750
Maintenance Expenses	$38,961	$142,740	$50,520	$129,490	$129,490
TOTAL OPERATING EXPENSES	**$3,008,335**	**$2,039,158**	**$1,845,320**	**$1,841,530**	**$1,926,310**
NET OPERATING INCOME	**$3,480,196**	**$4,510,068**	**$2,941,610**	**$4,522,560**	**$4,633,110**
Non-Operating Income					
Investment Interest Income	$449	$259	$0	$0	$0
Transfer Between Funds	$0	$0	$119,760	$0	$0
TOTAL NON-OPERATING INCOME	**$449**	**$259**	**$119,760**	**$0**	**$0**
Non-Operating Expenses					
Restricted Cash Flow	$2,698	$75,195	$0	$0	$0
Transfer Out Between Funds	$1,104,352	$1,069,337	$1,047,260	$1,143,940	$1,143,940
TOTAL NON-OPERATING EXPENSES	**$1,107,050**	**$1,144,532**	**$1,047,260**	**$1,143,940**	**$1,143,940**
NET NON-OPERATING ADJUSTMENTS	**($1,106,601)**	**($1,144,273)**	**($927,500)**	**($1,143,940)**	**($1,143,940)**
NET CASH FLOW	**$2,373,595**	**$3,365,795**	**$2,014,110**	**$3,378,620**	**$3,489,170**

Budget Overview—Property Management—Elderly Properties

The Adopted FY 2015-2016 budgeted revenues for elderly properties are $5.03 million and $3.48 million, respectively. Total expenses in the Operating Budget are $4.42 million in FY 2015 and $2.93 million in FY 2016. Non-operational expenses are $0.62 million and $0.55 million, respectively. The Adopted FY 2015-2016 budget for elderly properties is balanced.

Revenue and Expense Statement

Property Management Division Elderly Properties	FY 2012 Actual	FY 2013 Actual	FY 2014 Amended Budget	FY 2015 Adopted Budget	FY 2016 Adopted Budget
Operating Income					
Tenant Income	$2,884,921	$2,975,216	$3,041,050	$2,868,760	$2,232,840
Federal Grant	$2,674,268	$2,448,035	$2,022,720	$1,817,620	$1,048,320
Management Fees	$7,789	$8,121	$5,530	$5,320	$2,480
Miscellaneous Income	$34,096	$31,899	$28,800	$23,040	$0
TOTAL OPERATING INCOME	**$5,601,074**	**$5,463,271**	**$5,098,100**	**$4,714,740**	**$3,283,640**
Operating Expenses					
Personnel Expenses	$1,753,115	$1,813,772	$2,063,720	$1,680,750	$1,163,040
Operating Expenses - Fees	$743,548	$743,104	$760,750	$671,760	$442,320
Operating Expenses - Administrative	$93,817	$153,072	$149,560	$134,950	$91,070
Tenant Services Expenses	$43,860	$46,877	$47,050	$48,020	$49,200
Protective Services Expenses	$42,211	$35,290	$46,500	$37,990	$20,580
Utilities Expenses	$1,298,575	$986,416	$1,238,790	$1,079,680	$657,200
Insurance and Tax Expenses	$87,477	$97,211	$145,100	$113,580	$91,580
Maintenance Expenses	$668,526	$709,413	$919,060	$650,920	$416,850
TOTAL OPERATING EXPENSES	**$4,731,129**	**$4,585,155**	**$5,370,530**	**$4,417,650**	**$2,931,840**
NET OPERATING INCOME	**$869,945**	**$878,116**	**($272,430)**	**$297,090**	**$351,800**
Non-Operating Income					
Investment Interest Income	($5,812)	($5,746)	($7,650)	($5,630)	($4,260)
Transfer Between Funds	$335,650	$100,650	$627,560	$325,650	$200,290
TOTAL NON-OPERATING INCOME	**$329,838**	**$94,904**	**$619,910**	**$320,020**	**$196,030**
Non-Operating Expenses					
Interest Payment	$166,088	$159,060	$151,570	$143,610	$135,120
Mortgage Insurance	$23,208	$12,576	$11,340	$11,340	$10,670
Principal Payment	$108,365	$115,392	$122,880	$130,850	$139,330
Operating and Replacement Reserves	$48,000	$48,000	$48,000	$172,000	$172,000
Restricted Cash Flow	$765,122	$217,992	$132,760	$44,810	$90,710
Transfer Out Between Funds	$89,000	$420,000	$0	$114,500	$0
TOTAL NON-OPERATING EXPENSES	**$1,199,783**	**$973,020**	**$466,550**	**$617,110**	**$547,830**
NET NON-OPERATING ADJUSTMENTS	**($869,945)**	**($878,116)**	**$153,360**	**($297,090)**	**($351,800)**
NET CASH FLOW	**$0**	**$0**	**($119,070)**	**$0**	**$0**

Budget Overview—Property Management—Family Properties

The Adopted FY 2015-2016 budgeted revenues for family properties are $51.46 million and $52.42 million, respectively. Total expenses in the Operating Budget are $21.45 million in FY 2015 and $21.89 million in FY 2016. Non-operational expenses are $29.38 million and $30.55 million, respectively. In FY 2015 there will be a net cash surplus of $630,870, while FY 2016 reflects a deficit of $13,910.

Revenue and Expense Statement

Property Management Division Family Properties	FY 2012 Actual	FY 2013 Actual	FY 2014 Amended Budget	FY 2015 Adopted Budget	FY 2016 Adopted Budget
Operating Income					
Tenant Income	$42,853,399	$46,470,445	$48,919,790	$49,851,460	$51,167,700
Non-Dwelling Rental Income	$664,293	$594,568	$627,500	$570,700	$601,900
Federal Grant	$1,643,154	$1,430,788	$1,182,840	$399,780	$106,880
Management Fees	$34,964	$34,603	$31,780	$31,330	$32,650
Miscellaneous Income	$209,150	$176,601	$139,200	$117,800	$122,330
TOTAL OPERATING INCOME	**$45,404,960**	**$48,707,005**	**$50,901,110**	**$50,971,070**	**$52,031,460**
Operating Expenses					
Personnel Expenses	$5,956,775	$6,273,750	$6,596,550	$5,941,050	$6,133,180
Operating Expenses - Fees	$3,846,459	$3,963,190	$4,061,730	$3,988,860	$4,107,430
Operating Expenses - Administrative	$1,633,912	$1,774,653	$1,687,040	$1,625,010	$1,663,240
Tenant Services Expenses	$146,157	$134,313	$174,290	$170,720	$175,810
Protective Services Expenses	$756,343	$687,618	$617,910	$601,900	$620,810
Utilities Expenses	$4,336,588	$3,796,687	$4,470,460	$4,006,380	$3,979,470
Insurance and Tax Expenses	$673,552	$784,468	$860,060	$799,440	$889,250
Maintenance Expenses	$4,070,055	$4,013,418	$4,770,670	$4,314,080	$4,317,070
TOTAL OPERATING EXPENSES	**$21,419,841**	**$21,428,097**	**$23,238,710**	**$21,447,440**	**$21,886,260**
NET OPERATING INCOME	**$23,985,119**	**$27,278,908**	**$27,662,400**	**$29,523,630**	**$30,145,200**
Non-Operating Income					
Investment Interest Income	($33,131)	($32,350)	($32,250)	($34,920)	($35,820)
Transfer Between Funds	$1,206,751	$1,258,321	$1,073,930	$522,240	$429,310
TOTAL NON-OPERATING INCOME	**$1,173,620**	**$1,225,971**	**$1,041,680**	**$487,320**	**$393,490**
Non-Operating Expenses					
Interest Payment	$10,335,862	$10,152,722	$11,090,660	$11,234,800	$11,610,610
Mortgage Insurance	$692,185	$709,997	$806,740	$778,760	$826,180
Principal Payment	$5,518,763	$5,914,548	$6,478,370	$6,839,060	$7,131,010
Operating and Replacement Reserves	$1,404,141	$1,441,188	$1,418,010	$1,795,350	$1,684,440
Restricted Cash Flow	$4,397,342	$5,759,360	$3,738,030	$4,364,000	$4,434,270
Development Corporation Fees	$2,155,011	$3,195,563	$4,214,950	$4,368,110	$4,866,090
Transfer Out Between Funds	$3,500	$4,373	$0	$0	$0
TOTAL NON-OPERATING EXPENSES	**$24,506,804**	**$27,177,751**	**$27,746,760**	**$29,380,080**	**$30,552,600**
NET NON-OPERATING ADJUSTMENTS	**($23,333,184)**	**($25,951,780)**	**($26,705,080)**	**($28,892,760)**	**($30,159,110)**
NET CASH FLOW	**$651,935**	**$1,327,128**	**$957,320**	**$630,870**	**($13,910)**

Budget Overview—Property Management—Scattered Site Properties

The Adopted FY 2015-2016 budgeted revenues for scattered-site properties are $20.24 million and $20.83, respectively. Total expenses in the Operating Budget are $10.99 million in FY 2015 and $11.21 million in FY 2016. Non-operational expenses are $8.37 million and $8.77 million, respectively. Net Cash Surplus will be $874,390 in FY 2015 and $857,290 in FY 2016.

Revenue and Expense Statement

Property Management Division Scattered Site Properties	FY 2012 Actual	FY 2013 Actual	FY 2014 Amended Budget	FY 2015 Adopted Budget	FY 2016 Adopted Budget
Operating Income					
Tenant Income	$10,840,571	$10,757,511	$12,012,390	$19,873,430	$20,527,940
Non-Dwelling Rental Income	($1,406)	$0	$0	$0	$0
Federal Grant	$2,993,805	$2,590,939	$2,119,830	$46,180	$0
County Grant	$142,607	$0	$0	$0	$0
Management Fees	$578	$318	$370	$380	$390
Miscellaneous Income	$42,029	$12,173	$2,420	$600	$620
TOTAL OPERATING INCOME	**$14,018,184**	**$13,360,941**	**$14,135,010**	**$19,920,590**	**$20,528,950**
Operating Expenses					
Personnel Expenses	$3,351,352	$3,385,330	$3,480,860	$3,490,530	$3,673,330
Operating Expenses - Fees	$3,956,435	$3,862,584	$4,472,040	$4,896,220	$5,096,940
Operating Expenses - Administrative	$319,112	$301,060	$297,440	$314,480	$323,850
Tenant Services Expenses	$1,668	$1,013	$0	$5,800	$5,980
Protective Services Expenses	$0	$0	$0	$6,310	$6,350
Utilities Expenses	$107,174	$125,041	$171,910	$153,920	$155,440
Insurance and Tax Expenses	$491,482	$501,416	$635,560	$596,420	$671,550
Maintenance Expenses	$1,870,247	$2,099,583	$1,734,460	$1,526,910	$1,275,840
TOTAL OPERATING EXPENSES	**$10,097,470**	**$10,276,027**	**$10,792,270**	**$10,990,590**	**$11,209,280**
NET OPERATING INCOME	**$3,920,714**	**$3,084,914**	**$3,342,740**	**$8,930,000**	**$9,319,670**
Non-Operating Income					
Investment Interest Income	($11,902)	($11,854)	($14,460)	($11,410)	($11,870)
Transfer Between Funds	$291,702	$472,229	$360,090	$328,380	$316,750
TOTAL NON-OPERATING INCOME	**$279,800**	**$460,375**	**$345,630**	**$316,970**	**$304,880**
Non-Operating Expenses					
Interest Payment	$658,551	$602,429	$621,090	$2,424,050	$2,324,100
Mortgage Insurance	$23,010	$60,067	$65,890	$68,720	$61,200
Principal Payment	$438,482	$496,792	$757,570	$937,120	$888,770
Operating and Replacement Reserves	$523,450	$490,454	$602,280	$724,310	$732,550
Restricted Cash Flow	$619,599	$761,781	$74,210	$2,080,070	$2,125,260
Development Corporation Fees	$147,279	$326,836	$505,600	$2,138,310	$2,635,380
Transfer Out Between Funds	$577,500	$212,000	$0	$0	$0
TOTAL NON-OPERATING EXPENSES	**$2,987,871**	**$2,950,359**	**$2,626,640**	**$8,372,580**	**$8,767,260**
NET NON-OPERATING ADJUSTMENTS	**($2,708,071)**	**($2,489,984)**	**($2,281,010)**	**($8,055,610)**	**($8,462,380)**
NET CASH FLOW	**$1,212,643**	**$594,930**	**$1,061,730**	**$874,390**	**$857,290**

Master Lease Properties—Revenue and Expense Statement

Property Management Division Master Lease Properties	FY 2012 Actual	FY 2013 Actual	FY 2014 Amended Budget	FY 2015 Adopted Budget	FY 2016 Adopted Budget
Operating Income					
Tenant Income	$721,863	$713,725	$173,360	$0	$0
TOTAL OPERATING INCOME	**$721,863**	**$713,725**	**$173,360**	**$0**	**$0**
Operating Expenses					
Personnel Expenses	$29,955	$22,897	$0	$0	$0
Operating Expenses - Fees	$742,406	$692,336	$176,510	$0	$0
Operating Expenses - Administrative	$4,807	$3,585	$4,960	$0	$0
Utilities Expenses	$1,490	$1,731	$1,050	$0	$0
Maintenance Expense	$775	$0	$0	$0	$0
TOTAL OPERATING EXPENSES	**$779,433**	**$720,549**	**$182,520**	**$0**	**$0**
NET OPERATING INCOME	**($57,570)**	**($6,824)**	**($9,160)**	**$0**	**$0**
Non-Operating Income					
Investment Interest Income	($439)	($554)	($180)	$0	$0
Transfer Between Funds	$58,009	$7,378	$9,340	$0	$0
TOTAL NON-OPERATING INCOME	**$57,570**	**$6,824**	**$9,160**	**$0**	**$0**
NET NON-OPERATING ADJUSTMENTS	**$57,570**	**$6,824**	**$9,160**	**$0**	**$0**
NET CASH FLOW	**$0**	**$0**	**$0**	**$0**	**$0**

Capital Fund Program—Revenue and Expense Statement

Property Management Division Capital Fund Program	FY 2012 Actual	FY 2013 Actual	FY 2014 Amended Budget	FY 2015 Adopted Budget	FY 2016 Adopted Budget
Operating Income					
Federal Grant	$574,160	$501,981	$787,160	$544,830	$222,970
TOTAL OPERATING INCOME	**$574,160**	**$501,981**	**$787,160**	**$544,830**	**$222,970**
Operating Expenses					
Personnel Expenses	$479,875	$398,855	$189,530	$35,600	$37,000
Operating Expenses - Fees	$0	$0	$178,000	$89,970	$80,970
Operating Expenses - Administrative	$126,484	$61,725	$105,540	$105,000	$105,000
TOTAL OPERATING EXPENSES	**$606,359**	**$460,580**	**$473,070**	**$230,570**	**$222,970**
NET OPERATING INCOME	**($32,199)**	**$41,401**	**$314,090**	**$314,260**	**$0**
Non-Operating Income					
Transfer Between Funds	$32,199	$0	$0	$0	$0
TOTAL NON-OPERATING INCOME	**$32,199**	**$0**	**$0**	**$0**	**$0**
Non-Operating Expenses					
Interest Payment	$0	$0	$314,090	$314,260	$0
Restricted Cash Flow	$0	$41,401	$0	$0	$0
TOTAL NON-OPERATING EXPENSES	**$0**	**$41,401**	**$314,090**	**$314,260**	**$0**
NET NON-OPERATING ADJUSTMENTS	**$32,199**	**($41,401)**	**($314,090)**	**($314,260)**	**$0**
NET CASH FLOW	**$0**	**$0**	**$0**	**$0**	**$0**

Real Estate Development Division

Adopted Budget
June 4, 2014

Mission Statement

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

Description

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

The division acquires existing multifamily housing to create and preserve low- to moderate-income market rate housing and to avoid the loss of subsidies for properties developed with federal assistance. The Division also develops new multifamily rental housing, typically for residents with a wide range of incomes. These developments are part of HOC's Opportunity Housing portfolio and serve low-, moderate-income, and market rate households.

As HOC's existing portfolio of Opportunity Housing ages, there is an on-going need for modernization and renovation. The Division is providing development services to keep this housing in good condition including identifying new sources of funds, developing renovation scopes of work and engaging consultants to manage the redevelopment process.

The division is integral to the implementation of one of the major objectives of the HOC 2013-2017 Strategic Plan—vision of HOC as a real estate company. Therefore, its activities will focus on expanding its approach and ability to develop mixed-income housing with an emphasis on amenity-rich, larger scale properties that are environmentally and financially stable. Achieving this objective will require existing portfolio analysis for redevelopment opportunities, prospecting for opportunities, building partnerships, and identifying alternative sources of equity.

Special points of interest:

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

Program Objectives

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

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

Budget Overview—Real Estate Division

The total Adopted FY 2015-2016 budgeted revenues for the Real Estate Division are $2.27 million and $2.48 million, respectively. Total expenses are $1.34 million and $1.41 million, respectively. Personnel costs comprise 83.1% of the total operating expenses in FY 2015 and 83.3% in FY 2016. Operating and other miscellaneous expenses account for the balance of the budget. **Please note that the FY 2015-2016 Adopted Budget reflects changes as a result of the Agency re-organization.**

Revenue and Expense Statement

Real Estate Division	FY 2012 Actual	FY 2013 Actual	FY 2014 Amended Budget	FY 2015 Adopted Budget	FY 2016 Adopted Budget
Operating Income					
Management Fees	$175,560	$258,970	$250,000	$1,191,740	$1,344,120
TOTAL OPERATING INCOME	**$175,560**	**$258,970**	**$250,000**	**$1,191,740**	**$1,344,120**
Operating Expenses					
Personnel Expenses	$676,754	$545,908	$817,870	$1,111,670	$1,172,190
Operating Expenses - Administrative	$18,232	$9,942	$209,100	$225,640	$235,750
Maintenance Expenses	$71	$12	$0	$0	$0
TOTAL OPERATING EXPENSES	**$695,057**	**$555,862**	**$1,026,970**	**$1,337,310**	**$1,407,940**
NET OPERATING INCOME	**($519,497)**	**($296,892)**	**($776,970)**	**($145,570)**	**($63,820)**
Non-Operating Income					
Transfer Between Funds	$676,754	$545,908	$1,017,870	$1,080,920	$1,139,080
TOTAL NON-OPERATING INCOME	**$676,754**	**$545,908**	**$1,017,870**	**$1,080,920**	**$1,139,080**
NET NON-OPERATING ADJUSTMENTS	**$676,754**	**$545,908**	**$1,017,870**	**$1,080,920**	**$1,139,080**
NET CASH FLOW	**$157,257**	**$249,016**	**$240,900**	**$935,350**	**$1,075,260**

This page intentionally left blank.

Resident Services Division

Mission Statement

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

Special points of interest:

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

Description

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

- Eviction prevention.
- Crisis resolution.
- Services to the elderly and families in HOC owned/operated multifamily properties.
- Information and referral to community resources.
- Counseling regarding lease violations; coordination with internal staff and with external service providers/entities.
- Development and implementation of programs and services promoting self-sufficiency and wellness.

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.
- Housing counseling and housing location services for hard-to-place homeless households referred by the County.
- Services to residents of HOC owned third party managed Tax Credit properties such as Stewartown, Forest Oak Towers, Georgian Court, Shady Grove Apartments, Tanglewood, The Willows, and MetroPointe.
- Assistance to HOC owned third party managed programs.
- Facilitate volunteer opportunities and auxiliary revenue capacity through the non-profit Housing Opportunities Community Partners Inc. to help operate core services.

Program Objectives

Core Services to Families and Elderly

- Provide assessment, crisis intervention, information and referral on a drop-in, short term 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 improved coordination of services implemented through external service providers in elderly buildings.
- Respond to community complaints regarding Public Housing multifamily developments, Elderly buildings, and Tax Credit sites and initiate appropriate investigation and resolution.
- Coordinate with the Housing Resources Division on lease enforcement cases and Housing Choice Voucher compliance issues.
- Coordinate 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.
- Connect residents who require critical social services to such services through partnerships with other agencies.
- Maximize resident involvement in HOC programs by facilitating community based associations, and other resident-initiated activities.
- Solicit funding and in-kind donations through Community Partners, Inc. to benefit HOC families and programs through advocacy for new and sustained support from local businesses and for-profit organizations.

Program Services

- Develop programs that promote self-sufficiency and stabilize communities and offer activities that motivate and improve personal wellbeing at elderly and multi-family HOC properties.
- Provide 2,400 nutritious meals and social interaction to avoid isolation during weekdays for elderly residents annually at Waverly House, Elizabeth House, Forest Oak Towers, and Arcola Towers through operation of the Senior Nutrition Program.
- Enroll at least 175-225 youth in after-school tutorial or homework assistance and social and recreational programs.
- Establish and maintain partnerships so as to involve youth and seniors in a variety of constructive activities including, but not limited to, nutrition, youth groups and exercise programs.
- 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.
- Screen applications, determine eligibility, and issuance of housing stabilization assistance in response to housing crises.

Federally Funded Self-Sufficiency Programs

- Provide opportunities for career development, enhanced job training, skills development, pre-employment preparation, education and support to residents through operation of the Family Self-Sufficiency (FSS) Program, and the HUD funded Aiming for Careers serving Public Housing residents only.
- Assist approximately 441 HOC families toward achieving economic self-sufficiency within five to seven years through the Family Self-Sufficiency (FSS) Program's case management support (assessment, goal planning and use of community resources) and partnerships with external service providers.
- Ensure that FSS participants who have completed their goals within five to seven years of FSS enrollment meet HUD requirements for graduation, including independence from welfare cash assistance.
- Encourage establishment of FSS escrow accounts based on increases in earned income and encourage homeownership when appropriate.
- Eliminate barriers to job placement by

providing necessary education and training resources for child care, language proficiency, transportation, books/tuition, etc.

- Track and provide services/resources to eligible residents and approved contractors seeking to hire low-income individuals to fulfill HUD Section 3 requirements.

Federal, State, and County Funded Supportive Housing Programs for Homeless Households

- Effectively operate programs designed to prevent and end homelessness including: (1) the HUD funded Supportive Housing Program, (2) the Shelter Plus Care and New Neighbor Programs, (3) the State 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 multifamily buildings.
- Provide ongoing case management and supportive resources including furnishings, transportation, medication assistance, child care and other critical needs to allow program participants to stabilize, live independently, and move toward self-sufficiency.
- Connect clients to therapeutic services.
- 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.
- Provide flat rental assistance to approximately 250 households with incomes between 20-40% of AMI. This program will help prevent homelessness of very economically vulnerable individuals and families.

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 2008**	**FY 2009**	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Mandated Participants	441	441	441	441	441	441	441	441
Enrolled Participants	397	400	395	370	371	370	343	373
In Process of Enrolling	79	80	80	74	73	74	42	68
Graduates	60	40	45	42	33	30	54	43
% Graduating	15	10	11	14	9	8	9	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	88	85	96	85	84	80	85	85
Participants who Withdrew, were Terminated, or Unsuccessful in FSS	51	50	52	55	14	15	92	35
Homebuyers	11	6	4	3	2	2	1	3
% of Participants Employed	68	70	74	70	62	60	65	65
% of Participants with Escrow Accounts	48	50	58	75	50	50	50	50
Other Family Members currently Enrolled	23	27	25	31	30	25	19	17

Family Self-Sufficiency (FSS) Program

FSS is a federally mandated voluntary program to assist Public Housing (PH) and Housing Choice Voucher (HCV) families achieve economic self-sufficiency within five to seven years. A unique feature of FSS is the establishment of escrow savings accounts (averaging $10,000 per graduate) resulting from higher earned incomes yielding higher rent payments. Intensive goal-oriented case management service and the escrow funds coupled with job training, education, child care and transportation underlie the program’s significant success. HOC’s FSS Program began in 1993 and has been repeatedly cited by HUD as one of the best in the country. FSS lacks sufficient funding from HUD and relies on the County to fill the gap, as well as to continue the $42,000 annually in essential County funds for FSS clients’ transportation, tuition, books, and child care.

Performance Measurement Results (cont.)

About 85% of HOC's FSS Program participants are single mothers with an average age of 37. About 35% either received welfare cash assistance or were unemployed when they began FSS, and 15% lacked a GED/high school diploma. Many have little or no work experience or poor work histories, suffer from serious physical and mental health problems (depression is the most prevalent), have inadequate English literacy, and learning disabilities.

Aiming for Careers				
Measurement	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Annual Case Management to ROSS program participants	25	25	25	25
Job Training Class Enrollment	29	26	25	15
Life Skills Training-Persons Enrolled	36	39	49	15
GED Program Enrolled	5	6	5	3
Literacy Class Enrolled	11	21	9	10
Employment Obtained Above Minimum Wage	12	8	15	20

Employment Initiative Program (EIP)						
	Employment Initiative Program			Aiming for Careers		
	FY 2013	**FY 2014**	**FY 2015**	**FY 2013**	**FY 2014**	**FY 2015**
Number of residents successfully completing training/classes	60	59	60	80	49	30
Number of residents participating in support groups or activities	100	339	200	50	48	30
Number of residents employed	50	43	40	40	22	40
Number of eligible Section 3 residents hired annually	50	43	40	40	22	40

Performance Measurement Results (cont.)

Family Resource Centers (FRC)					
Measurement	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**
Units in target neighborhoods (Emory Grove, Camp Hill Square, Seneca Ridge, Towne Centre Place, Sandy Spring Meadow, Washington Square)	285	285	330	330	NA
Youth: Afterschool Programs, Transportation, Tutoring, Recreational Activities, Life Skills, Health and Wellness, Parent-Child Programming *	1,450	1,450	1,450	1,450	NA
Adult: Employment Training, Computer Skills, Reading Initiatives, Education, Transportation, Life Skills, Parenting Support, Leadership Skills, Grocery Distributions, Social, Cultural and Recreational Programs *	400	400	400	425	NA

* May be individuals participating in more than one activity.

Programming for Youth, Families and Seniors	
Measurement	**FY 2015**
Units in target neighborhoods (Camp Hill Square, Seneca Ridge, Towne Centre Place, Sandy Spring Meadow, Washington Square, Metropointe, Georgian Court, Stewartown, Magruder's Discovery, Paddington Square, Tanglewood, Waverly House, Arcola Towers, Holly Hall, Elizabeth House, Bauer Park, Forest Oak Towers, Town Center-Rockville)	2,100
Youth & Families: Afterschool Academic Programs, Transportation, Recreational Activities, Life Skills, Health and Wellness,	200
Seniors: Nutrition Program, Health and Wellness, Computer Skills, ESL, Transportation, Life Skills, Social, Cultural and Recreational Programs *	150

* Unduplicated participants.

Service Coordination Family Properties	Resident Contacts			Info & Referral		Lease Enforcement / Rent Delinquency Process			
Fiscal Year	**Office Visits**	**Home Visits**	**Other**	**Collateral**	**Referrals**	**Waivers**	**Office Conf.**	**Spvs. Conf.**	**Evictions**
FY 2013 Actual	2,651	803	3,017	1,939	1,686	2	146	22	2
FY 2014 Actual	2,195	596	1,859	1,610	1,402	8	47	5	2
FY 2015 Goals	2,600	860	2,649	1,900	1,650	10	160	25	2

Performance Measurement Results (cont.)

Service Coordination Senior Properties	Resident Contacts			Info & Referral		Lease Enforcement / Rent Delinquency Process			
Fiscal Year	**Office Visits**	**Home Visits**	**Other**	**Collateral**	**Referrals**	**Waivers**	**Office Conf.**	**Spvs. Conf.**	**Evictions**
FY 2013 Actual	7,478	1,190	3,660	3,261	2,648	0	33	1	2
FY 2014 Actual	6,428	1,171	4,287	3,392	2,520	2	11	1	2
FY 2015 Goals	7,000	1,300	3,800	3,400	2,500	2	20	2	2

Disability Services	FY 2013 Actual	FY 2014 Actual	FY 2015 Goal
New Referrals	98	180	218
Average Number of Active Cases	76.3	99	142
Home Visits	384	512	520
Office Visits	153	296	300
Case Management Contacts	2,662	2,775	2,775
Consultations			
Other Agencies	866	1,623	1,625
Clients / Families / Advocates	758	1,115	1,125
HOC Staff	570	690	690
Hoarding Intervention Tactical (HIT) Team			
New Referrals	21	26	25
Assessments	17	42	40
Intervention Sessions	135	239	230
Collateral Contacts	186	405	400

Performance Measurement Results (cont.)

Customer Service Centers (Silver Spring/Gaithersburg)			
Measurement	**FY 2013**	**FY 2014**	**FY 2015**
Office Visits (includes walk-in)	3,220	4,618	4,000
Newly Initiated Service Agreements	96	289	150
Referrals Made	6,970	7,523	4,000
Security Deposit Loans - Approved	112	123	100
Money Collected From Repayment Agreements	$20,374	$25,209	$12,500
Total Emergency Services residents interviewed	1,213	1,411	1,222

Housing Programs for Homeless / Disabled Single Adults and Families								
	Shelter Plus Care	**New Neighbors I and II**	**State RAP**	**Rent Supplemental**	**Supportive Housing**	**Housing Counseling**	**HIP Service Coordination**	**Housing Location**
Maintain enrollment of eligible participants	42	17	40	300	165	70	94	125
% of residents who remain stable & retain housing for one year	95%	95%	100%	100%	95%	NA	NA	NA
Provide case management, referrals for therapeutic services, and other support resources	Yes	Yes	Yes	No	Yes	No	Yes	No
Provides resources for application fees and security deposits	No	No	No	No	No	Yes	Yes	Yes

Budget Overview—Resident Services Division

The total Adopted FY 2015-2016 Budget for the Resident Services Division is $12.26 million and $12.64 million, respectively. FY 2015 represents an increase of 1.3% from the FY 2014 Amended Budget of $12.11 million, with another increase of 3.1% in FY 2016. Personnel costs comprise 47.8% and 48.5% of the FY 2015-2016 Adopted budget, respectively. **Please note that the FY 2015-2016 Adopted Budget reflects changes as a result of the Agency re-organization.**

Revenue and Expense Statement

Resident Services Division	FY 2012 Actual	FY 2013 Actual	FY 2014 Amended Budget	FY 2015 Adopted Budget	FY 2016 Adopted Budget
Operating Income					
Tenant Income	$471,764	$458,012	$473,440	$473,590	$473,590
Federal Grant	$4,140,253	$4,028,549	$4,063,040	$4,081,480	$4,083,470
State Grant	$227,930	$149,476	$173,690	$173,690	$173,690
County Grant	$5,760,742	$6,009,340	$6,737,830	$7,243,690	$7,523,610
Miscellaneous Income	$0	$30,113	$0	$4,500	$4,500
TOTAL OPERATING INCOME	**$10,600,689**	**$10,675,490**	**$11,448,000**	**$11,976,950**	**$12,258,860**
Operating Expenses					
Personnel Expenses	$5,333,958	$5,492,881	$6,059,810	$5,863,420	$6,129,750
Operating Expenses - Fees	$627,461	$632,045	$641,340	$679,850	$702,970
Operating Expenses - Administrative	$198,760	$260,707	$202,080	$192,660	$194,200
Tenant Services Expenses	$3,387,735	$3,404,637	$3,561,890	$3,988,320	$4,031,810
Utilities Expenses	$208,315	$199,188	$239,210	$234,410	$234,410
Insurance and Tax Expenses	$21,350	$20,260	$27,790	$16,180	$20,820
Housing Assistance Payments (HAP)	$696,261	$706,571	$877,840	$877,160	$872,760
TOTAL OPERATING EXPENSES	**$10,473,840**	**$10,716,289**	**$11,609,960**	**$11,852,000**	**$12,186,720**
NET OPERATING INCOME	**$126,849**	**($40,799)**	**($161,960)**	**$124,950**	**$72,140**
Non-Operating Income					
Investment Interest Income	$1,443	$1,849	$0	$0	$0
Transfer Between Funds	$132,927	$125,496	$662,470	$286,450	$383,940
TOTAL NON-OPERATING INCOME	**$134,370**	**$127,345**	**$662,470**	**$286,450**	**$383,940**
Non-Operating Expenses					
Restricted Cash Flow	$91,383	$105,018	$49,180	$47,050	$36,050
Transfer Out Between Funds	$186,906	$102,807	$451,330	$364,350	$420,030
TOTAL NON-OPERATING EXPENSES	**$278,289**	**$207,825**	**$500,510**	**$411,400**	**$456,080**
NET NON-OPERATING ADJUSTMENTS	**($143,919)**	**($80,480)**	**$161,960**	**($124,950)**	**($72,140)**
NET CASH FLOW	**($17,070)**	**($121,279)**	**$0**	**$0**	**$0**

This page intentionally left blank.

Section 3:

CAPITAL

Tab

Capital Budget

Adopted Budget
June 4, 2014

Capital Budget Description

The Capital Budget has two parts: the Capital Improvements Budget and the Capital Development Projects. Because of the long-term nature of capital development projects, capital development budgets are cumulative, meaning they include both the previous budget authorization and any additional authorization needed to complete each project.

Special points of interest:

The FY 2015-2016 Capital Budget is $93.1 million and $21.9 million, respectively.

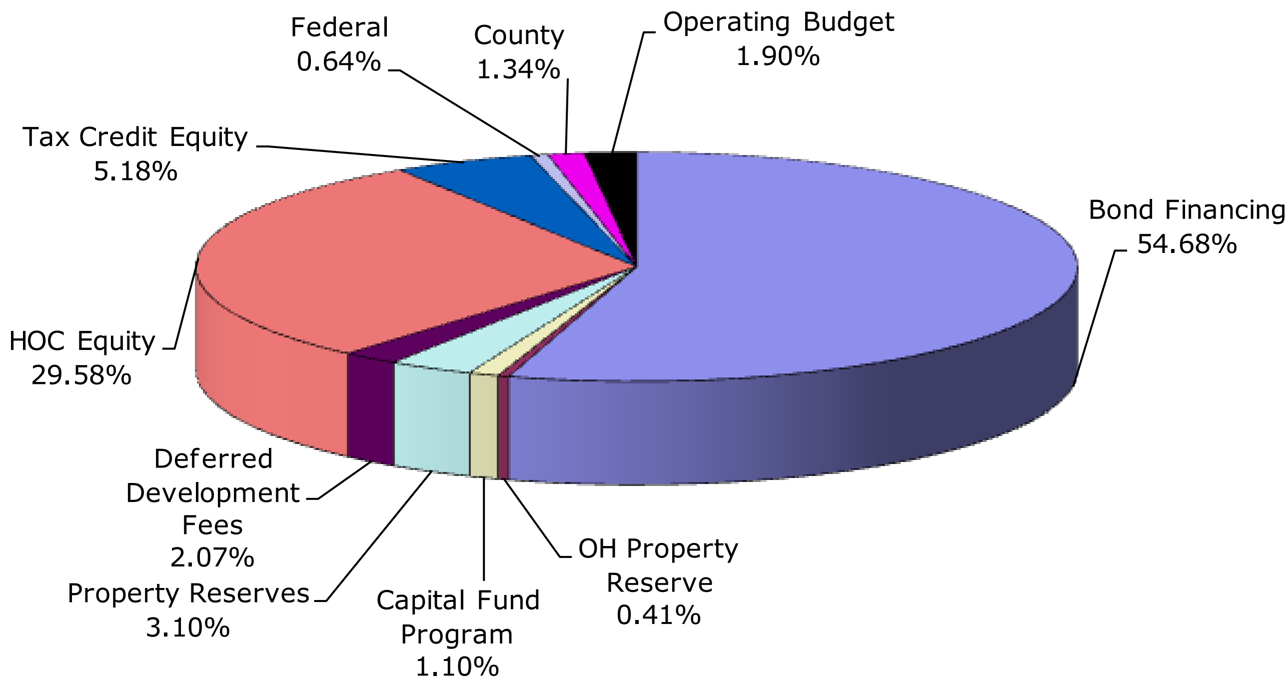
Capital Budget Summary Overview

The total Adopted FY 2015-2016 Capital Budget is $93.1 million and $21.9 million, respectively. The FY 2015-2016 Capital Budget includes funds to maintain current Information Technology needs, as well as, improvements to the Kensington and East Deer Park Offices. Funds have also been included for capital improvements to HOC's Opportunity Housing and Development Corporation properties, as well as HOC's Public Housing properties. The total Capital Improvements Budget will cost $7.3 million in FY 2015 and $6.3 million in FY 2016.

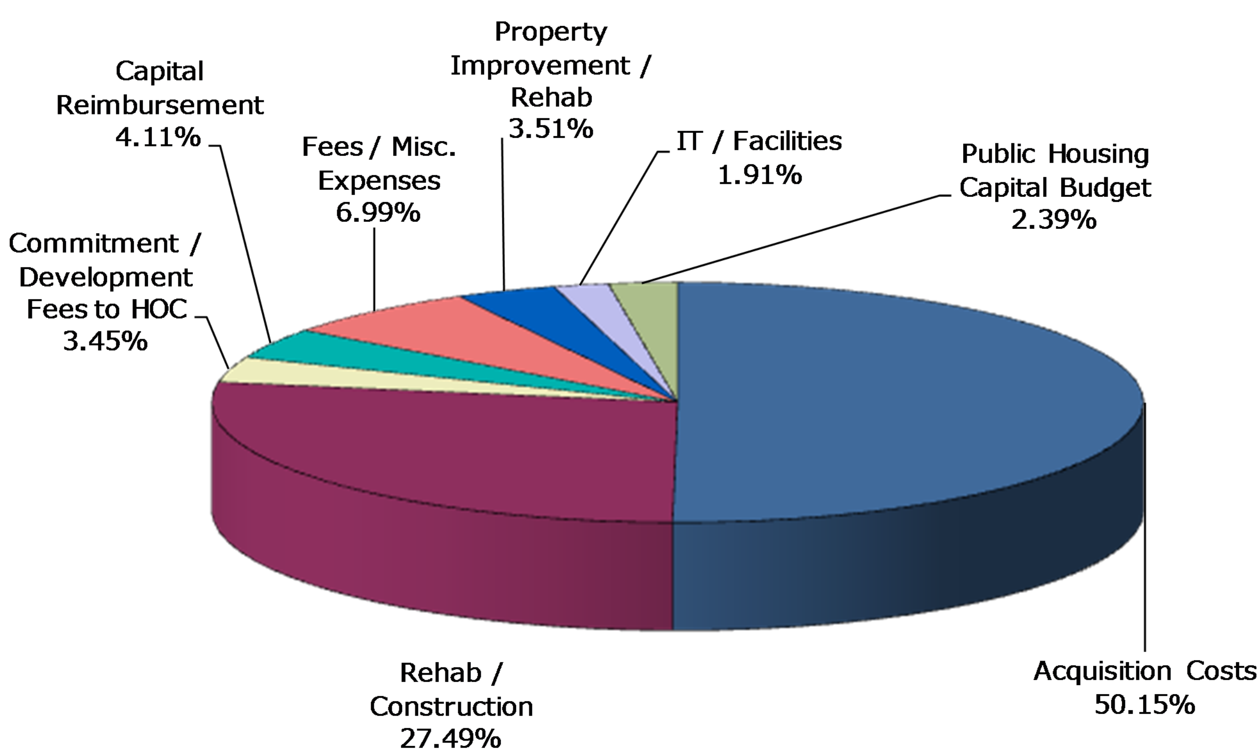
The Capital Development Budget includes funds for refinancing and renovations at Timberlawn/Pomander Court, in North Bethesda; Greenhills Apartments, located just south of downtown Damascus; six former Public Housing properties being converted under the HUD Rental Assistance Demonstration (RAD) program; Arcola Towers, in Silver Spring; Waverly House, in Bethesda; and Chevy Chase Lake, in Chevy Chase. . The total development budget will cost $85.9 million in FY 2015 and $15.6 million in FY 2016.

Capital Budget Summary	FY 2015 Adopted Budget	FY 2016 Adopted Budget
Capital Improvements		
East Deer Park	$81,000	$81,000
Kensington Office	$393,300	$374,900
Information Technology	$1,298,000	$1,263,000
Opportunity Housing Properties	$3,266,870	$2,964,300
Public Housing Properties	$2,223,530	$1,604,840
SUBTOTAL	**$7,262,700**	**$6,288,040**
Capital Development Projects		
Timberlawn / Pomander Court	$17,983,720	$0
Greenhills Apartments	$19,650,240	$0
Rental Assistance Demonstration (RAD) Stabilization Prop.	$15,219,620	$0
Arcola Towers	$16,414,650	$7,152,640
Waverly House	$16,100,330	$7,862,130
Chevy Chase Lake	$500,000	$625,000
SUBTOTAL	**$85,868,560**	**$15,639,770**
TOTAL	**$93,131,260**	**$21,927,810**

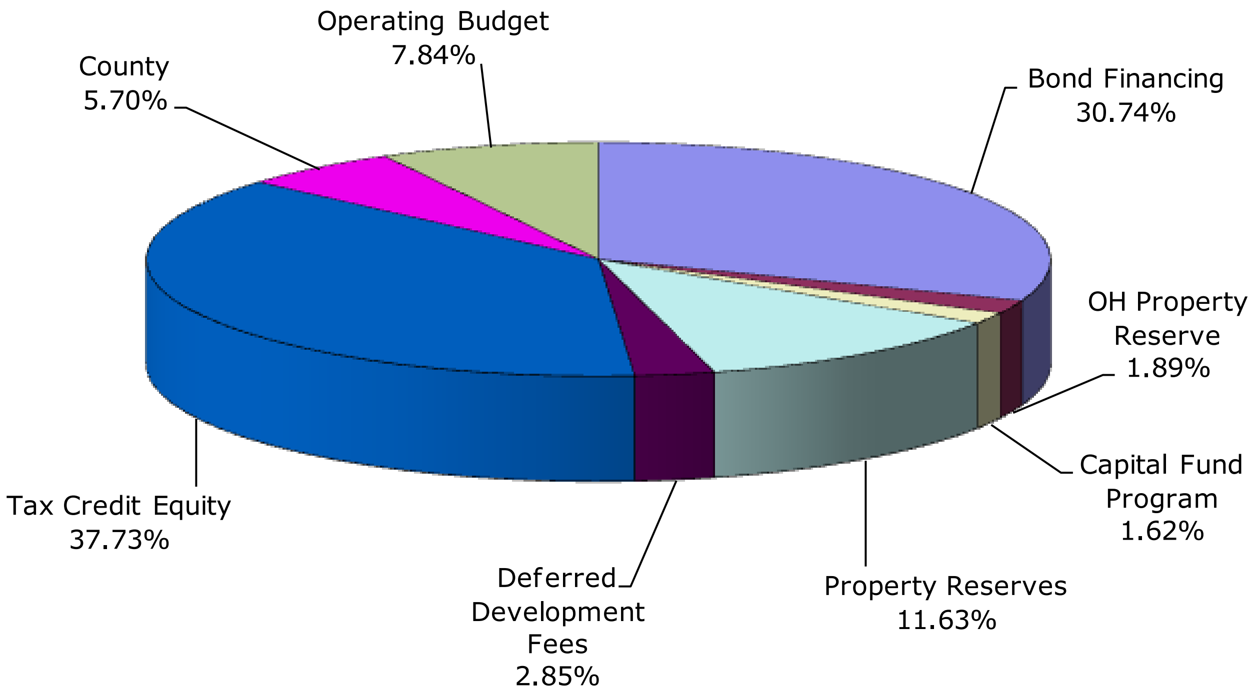
FY 2015—Source of Funds



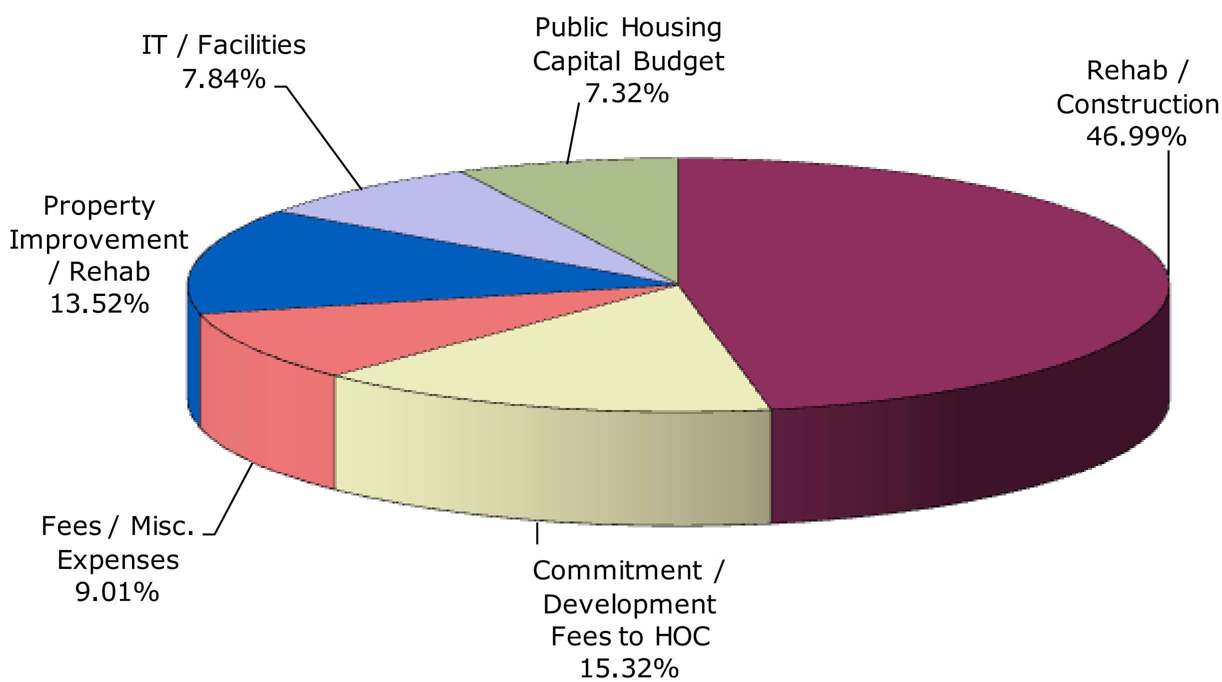
FY 2015—Use of Funds



FY 2016—Source of Funds



FY 2016—Use of Funds



Impact of Capital Budget on Operating Budget

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

- The non-routine capital expenditures affect current and future operating budgets and services that the entity provides for the following reasons:
  - When non-routine mechanical capital items are not addressed as needed, the lack of such attention creates deferred maintenance. Deferred maintenance leads to additional expense in the form of ongoing and repeated repairs that cause inconveniences and distress to residents which deteriorates resident relations and confidence; additional workload for maintenance personnel that often causes employees to feel overwhelmed and generates frustration among staff members; additional ongoing maintenance expense and administrative time; loss of income due to less effective leasing and marketing resulting from "word of mouth" dissatisfaction of residents and lack of resident referrals.
  - When deferral of non-routine capital items directly involves curb appeal, common areas, features or amenities, the positioning of the property in the market place may be significantly affected. When a property loses its position due to lack of such (non-routine) capital items, the property cannot compete well with neighboring apartment communities. Because of this, it is critical that HOC continue to invest in the portfolio through capital expenditures. If such items are deferred for too long a period of time, repositioning of the property often requires premature renovation.
- Capital development costs are financed through a mortgage and payments are made out of property operating (rental) income. Higher development costs and/or higher interest rates translate into higher operating costs due to a larger mortgage. Initial operating deficits are projected throughout the development phase and documented in the capital development budget. Funds are committed through the State, the County and the Agency's Opportunity Housing Reserve Fund (OHRF) prior to financing and construction to cover initial operating deficits. The positive effects on the operating budget resulting from the capital development budget will be realized in future years.

Capital Improvement Budget—Facilities and IT Department

Facilities and Information Technology (IT) Improvements

The Capital Budget for Facilities includes capital improvements for the Kensington and East Deer Park Offices. The Capital Budget for Information Technology includes purchases of software, hardware and equipment to maintain a high quality, open architecture, service based information technology infrastructure.

Capital Improvement Budgets Facilities & IT Department	FY 2015 Adopted Budget		FY 2016 Adopted Budget	
		Revenue Sources		Revenue Sources
	Total Expenses	Operating Budget	Total Expenses	Operating Budget
Facilities				
Equipment & Facilities	$474,300	$474,300	$455,900	$455,900
Subtotal - Facilities	**$474,300**	**$474,300**	**$455,900**	**$455,900**
Information Technology (IT)				
Computer Software	$596,000	$596,000	$596,000	$596,000
Computer Equipment	$667,000	$667,000	$667,000	$667,000
Vehicle	$35,000	$35,000	$0	$0
Subtotal - IT Improvements	**$1,298,000**	**$1,298,000**	**$1,263,000**	**$1,263,000**
TOTAL	**$1,772,300**	**$1,772,300**	**$1,718,900**	**$1,718,900**

Capital Improvement Budget—Opportunity Housing Properties

Opportunity Housing and Development Corporation Property Improvements

Improvements to Opportunity Housing and Development Corporation properties are funded through property replacement reserves. Each property sets aside a certain amount of operating income for future replacement and rehabilitation work. The amount of replacement reserves is determined annually as a part of a 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 the Opportunity Housing (OH) Property Reserve.

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

Capital Improvements Budget Opportunity Housing & Development Corporations

FY 2015 Adopted Budget

		Revenue Sources		
	Total Expenses	Property Reserves	OH Property Property Reserve	FY 2015 RfR
Alexander House	$232,440	$0	$0	$232,440
Ambassador	$12,640	$12,640	$0	$0
Barclay, The	$28,410	$28,410	$0	$0
Brookside Glen (The Glen)	$78,420	$78,420	$0	$0
Chelsea Towers	$13,600	$13,600	$0	$0
Chevy Chase Lake	$64,250	$64,250	$0	$0
Dale Drive	$2,410	$2,410	$0	$0
Diamond Square	$157,670	$157,670	$0	$0
Fairfax Court	$25,650	$25,650	$0	$0
Glenmont Crossing	$62,540	$62,540	$0	$0
Glenmont Westerly	$48,290	$48,290	$0	$0
Holiday Park	$40,200	$12,560	$13,790	$13,850
Jubilee Falling Creek	$500	$500	$0	$0
Jubilee Hermitage	$2,900	$2,470	$0	$430
Jubilee Woodedge	$2,630	$1,750	$0	$880
Magruder's Discovery	$66,100	$66,100	$0	$0
McHome	$80,200	$0	$63,800	$16,400
McKendree	$15,420	$0	$4,220	$11,200
MetroPointe	$33,700	$33,700	$0	$0
Metropolitan	$232,440	$232,440	$0	$0
Montgomery Arms	$186,770	$186,770	$0	$0
MHLP VII	$18,640	$18,640	$0	$0
MHLP VIII	$27,900	$0	$7,900	$20,000
MPDU 2007 - Phase II	$11,000	$0	$11,000	$0
MPDU I (64)	$158,840	$260	$131,040	$27,540
TPM - MPDU II (59)	$60,150	$0	$42,450	$17,700
Oaks @ Four Corners, The	$231,640	$192,650	$0	$38,990
Paddington Square	$79,690	$79,690	$0	$0
Paint Branch	$24,240	$0	$15,840	$8,400
TPM - Pomander Court	$28,160	$0	$20,960	$7,200
Pooks Hill High-Rise	$365,800	$365,800	$0	$0
Pooks Hill Mid-Rise	$107,500	$107,500	$0	$0
Scattered Site One	$100,250	$100,250	$0	$0
Scattered Site Two	$43,390	$43,390	$0	$0
Sligo MPDU III	$80,710	$11,800	$60,910	$8,000
Southbridge	$3,450	$3,450	$0	$0
State Rental Combined	$72,470	$72,470	$0	$0
Strathmore Court	$208,800	$93,620	$7,640	$107,540
TPM - Timberlawn	$27,640	$27,640	$0	$0
Westwood Tower	$229,420	$160,800	$0	$68,620
TOTAL	**$3,266,870**	**$2,308,130**	**$379,550**	**$579,190**

Capital Improvements Budget
Opportunity Housing &
Development Corporations

FY 2016
Adopted Budget

	Total Expenses	Revenue Sources: Property Reserves	OH Property Property Reserve	FY 2016 RfR
Alexander House	$189,460	$67,560	$0	$121,900
Ambassador	$116,960	$116,960	$0	$0
Barclay, The	$29,270	$29,270	$0	$0
Brookside Glen (The Glen)	$86,260	$86,260	$0	$0
Chelsea Towers	$14,010	$14,010	$0	$0
Chevy Chase Lake	$62,730	$62,730	$0	$0
Dale Drive	$2,480	$2,480	$0	$0
Diamond Square	$162,400	$162,400	$0	$0
Fairfax Court	$26,420	$26,420	$0	$0
Glenmont Crossing	$89,310	$89,310	$0	$0
Glenmont Westerly	$77,060	$77,060	$0	$0
Holiday Park	$41,410	$0	$27,010	$14,400
Jubilee Falling Creek	$520	$520	$0	$0
Jubilee Hermitage	$2,990	$1,580	$0	$1,410
Jubilee Woodedge	$2,700	$1,130	$0	$1,570
Magruder's Discovery	$54,460	$54,460	$0	$0
McHome	$82,610	$0	$66,210	$16,400
McKendree	$15,880	$0	$4,680	$11,200
MetroPointe	$34,710	$34,710	$0	$0
Metropolitan	$213,510	$152,990	$0	$60,520
Montgomery Arms	$95,980	$61,470	$0	$34,510
MHLP VII	$19,200	$17,440	$0	$1,760
MHLP VIII	$28,730	$0	$8,730	$20,000
MPDU 2007 - Phase II	$11,330	$0	$11,330	$0
MPDU I (64)	$163,610	$10	$136,060	$27,540
TPM - MPDU II (59)	$61,960	$0	$44,260	$17,700
Oaks @ Four Corners, The	$182,890	$133,010	$0	$49,880
Paddington Square	$82,080	$82,080	$0	$0
Paint Branch	$24,970	$0	$16,570	$8,400
TPM - Pomander Court	$29,060	$0	$21,860	$7,200
Pooks Hill High-Rise	$181,070	$181,070	$0	$0
Pooks Hill Mid-Rise	$110,730	$110,730	$0	$0
Scattered Site One	$94,960	$94,960	$0	$0
Scattered Site Two	$44,600	$44,600	$0	$0
Sligo MPDU III	$84,670	$0	$76,670	$8,000
Southbridge	$4,870	$4,870	$0	$0
State Rental Combined	$83,730	$83,730	$0	$0
Strathmore Court	$84,600	$0	$0	$84,600
TPM - Timberlawn	$33,810	$33,810	$0	$0
Westwood Tower	$236,300	$143,380	$0	$92,920
TOTAL	**$2,964,300**	**$1,971,010**	**$413,380**	**$579,910**

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 2015-2016, the Commission expects to receive a grant for $1.8 million and $1.6 million, respectively, 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 2015-2016, Montgomery County is providing $1.25 million, each year, in funds for capital improvements for HOC's Public Housing and deeply affordable units as well as a continuation of the funding necessary to complete the installation of sprinkler systems at Arcola Towers via the Capital Improvements (CIP) Program.

Capital Improvement Budgets Public Housing Properties	FY 2015 Adopted Budget		
		Revenue Sources	
	Total Expenses	Capital Fund Program (Yr.22)	County Funds
Specific Property Improvements			
Elizabeth House	$711,760	$86,760	$625,000
Holly Hall	$711,770	$86,770	$625,000
Arcola Towers	$100,000	$100,000	$0
Waverly House	$100,000	$100,000	$0
Ken Gar	$100,000	$100,000	$0
Parkway Woods	$100,000	$100,000	$0
Towne Centre Place	$100,000	$100,000	$0
Sandy Spring Meadow	$100,000	$100,000	$0
Washington Square	$100,000	$100,000	$0
Seneca Ridge	$100,000	$100,000	$0
TOTAL	**$2,223,530**	**$973,530**	**$1,250,000**

	Total Expenses	Revenue Sources: Capital Fund Program (Yr.23)	Revenue Sources: County Funds
Specific Property Improvements			
Elizabeth House	$802,420	$177,420	$625,000
Holly Hall	$802,420	$177,420	$625,000
TOTAL	**$1,604,840**	**$354,840**	**$1,250,000**

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

Timberlawn / Pomander Court

Timberlawn Crescent: Timberlawn Crescent (Timberlawn) is located in North Bethesda off of Tuckerman Lane midway between Old Georgetown Road and Rockville Pike. Timberlawn is a 107-unit, garden-style community built in 1988. The property consists of 103 townhome style units and four one-bedroom flats. It is located on 4.32 acres and has 1.13 parking spaces per unit or 286 total spaces. The apartments offer eat-in kitchens with pantry, wood cabinets, frost-free refrigerator with ice maker, dishwasher, and disposal. In addition, each unit has individual washer and dryers, patio or decks, private entrance, and ceiling fans. The apartments are conditioned by heat pumps.

The Timberlawn units have not been renovated since they were completed in 1988. The kitchens and bathrooms are depressing the market rate rents; and, in general, the units are not up to HOC's new property standards. A renovation is financially feasible. HOC staff is proposing a substantial renovation of the unit interior as well as the building exteriors and property grounds. Interior renovations include: replacing kitchen appliances, cabinets and countertops, bath finishes and fixtures, flooring throughout, and installing new HVAC systems. The grounds and common spaces will be improved as well.

Exterior renovations which are now nearly complete include: installing new windows and doors, siding, decks and railing; correcting the drainage along the east side of the site; updating the community space; and, landscaping.

Pomander Court: Pomander Court (Pomander) is a 24-unit clustered townhome community. Located on University Boulevard convenient to bus transportation and within an easy drive to the Wheaton Metro station. The units are three-bedroom homes with unfinished basements. The buildings have flat front brick facades with both shingled and flat roofs. The living areas are ample but consistent with the floor plans of the era; they do not have an open layout. Currently the project provides 17 units of affordable housing.

Pomander is a solid development in a desirable neighborhood, but in need of substantial interior renovation and exterior upgrading. In addition to severe plumbing problems, the interior requires new kitchens, bathrooms, and flooring in order to achieve the new standards that have been established for all HOC properties. Interior renovations include: replacing kitchen appliance; cabinets and countertops; replacing flooring; and, painting throughout. The exterior renovations include installing new doors, repairing brick work, repairing the drainage system (completed), improving the landscaping, and other repairs as needed.

The income at Timberlawn/Pomander Court is projected to increase an average of 5% per year while operating expenses increase an average of 2% every year. However, the revitalization efforts at the community are comprehensive. The investment HOC is making and will finalize in FY 2015 will transform a property in an ideal and rapidly changing neighborhood, into a sought after housing resource for HOC clients. Families with children will live in a strong school district, close to amenities and employment. This transformation will reduce the immediate cash flow, but over time will exemplify HOC's mission. The charts on the following page depict the anticipated Expenditure and Funding Schedules as well as the anticipated impact on the Operating Budget.

Capital Development Projects (cont.)

Timberlawn / Pomander Court

Expenditure Schedule

Cost Element	Total	FY 2015
Acquisition Costs	$9,854,400	$9,854,400
Rehab / Construction	$6,302,150	$6,302,150
Capital Reimbursement	$857,440	$857,440
Fees / Misc. Expenses	$969,730	$969,730
Total	**$17,983,720**	**$17,983,720**

Funding Schedule

Funding Source	Total	FY 2015
Bond Financing	$17,983,720	$17,983,720
Total	**$17,983,720**	**$17,983,720**

Operating Budget Impact

Impact Pos/(Neg)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Operating Income	$59,550	$83,930	$109,500	$136,290	$164,350	$193,730
Operating Expenses	$17,790	$18,330	$18,870	$19,440	$20,030	$20,620
Non-Operating Expenses	($798,830)	($801,310)	($803,840)	($806,410)	($809,030)	($811,680)
Total	**($721,490)**	**($699,050)**	**($675,470)**	**($650,680)**	**($624,650)**	**($597,330)**

Greenhills

Greenhills was constructed on 8.2041 acres on the east side of Route 27 just south of downtown Damascus in 1984. Originally built as part of a larger condominium community, HOC purchased the residual 52 townhome and 26 apartment units in 11 buildings in 1998.

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

Greenhills has not undergone any significant renovation since it was originally built 25 years ago. The approved Redevelopment Plan addresses both interior and exterior unit upgrades including kitchen and bath finishes/ fixtures, gutters, windows and roof replacements. Additional site improvements are planned as well. Energy efficiency of the units will also be addressed by upgrading all appliances and mechanical/plumbing equipment to ensure that residents truly experience affordable living by lowering the monthly energy costs for their homes.

During the due diligence period, it was found that Greenhills Apartments would need to broaden its scope of work to cure for moisture penetration in some units and include the newly developed HOC Standard Finish Schedule. Staff worked with the design team to detail the new scope and issued a new RFP to contractors for updated pricing over the summer of 2014. Proposals were received in

July 2014. In addition to the scope increase, staff is exploring additional financing options including Low Income Housing Tax Credits. Moving forward staff plans to present the revised scope and development program to the Commission for review and approval.

The amended renovation plan will be supported by refinancing the existing loan and funded by way of: proceeds of private activity, tax-exempt bonds of approximately $8.7 million with a mortgage insured under the FHA Risk Sharing program; Low Income Housing Tax Credits of $2 million; a seller's note of $7.4 million; and, deferred Developer's Fees of $1.4 million. Of the total project costs, $12 million is budgeted for acquisition (supported by appraisal) and payoff of existing debt, $4.4 million for renovation costs, and the remaining $3.2 million for consultants, financing and other soft costs. With Commission's approval, renovation would begin in the first half of FY 2015 and be completed with residents in place.

The planned improvements will not only address curb appeal but also, and more importantly, increase energy efficiency and allow the property to continue to compete in the market. While it is anticipated that post-renovation Greenhills' rents will increase by approximately 2.75% (or approximately $35/ month) for market and affordable rents, residents' utility costs and overall property maintenance costs will be reduced. The post-renovation, stabilized annual operating income for FY 2016 is anticipated to be approximately $1.2 million. The following charts depict the anticipated Expenditure and Funding Schedules as well as the anticipated Operating Budget Impact from completing the renovations.

Greenhills

Expenditure Schedule

Cost Element	Total	FY 2015
Acquisition Costs	$12,000,000	$12,000,000
Rehab / Construction	$4,399,560	$4,399,560
Commitment / Development Fees to HOC	$1,636,960	$1,636,960
Fees / Misc. Expenses	$1,613,720	$1,613,720
Total	**$19,650,240**	**$19,650,240**

Funding Schedule

Funding Source	Total	FY 2015
Bond Financing	$8,716,750	$8,716,750
Tax Credit Equity	$2,062,870	$2,062,870
HOC Equity	$7,440,000	$7,440,000
Deferred Development Fees	$1,430,620	$1,430,620
Total	**$19,650,240**	**$19,650,240**

Operating Budget Impact

Impact Pos/(Neg)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Operating Income	$26,810	$67,970	$69,330	$70,720	$72,140	$73,580
Operating Expenses	$58,830	$59,450	$61,740	$64,100	$66,540	$69,080
Non-Operating Expenses	($287,460)	($289,190)	($290,960)	($292,760)	($294,610)	($296,490)
Total	**($201,820)**	**($161,770)**	**($159,890)**	**($157,940)**	**($155,930)**	**($153,830)**

Capital Development Projects (cont.)

Rental Assistance Demonstration (RAD) Properties

The U.S. Department of Housing and Urban Development's (HUD's) Rental Assistance Demonstration program (the "RAD Program") presented the Commission with an opportunity to convert the operating and capital fund subsidies received by its multifamily Public Housing assets to Project-based Section 8 rental subsidies. This will allow HOC to raise capital for the acquisition, construction, rehabilitation and/or permanent financing or refinancing (or a plan of financing) of its Public Housing projects and transfer them into new ownership entities.

(RAD 6)

The RAD 6 entails 233 townhome and 35 single family dwellings in six principal locations in Montgomery County. The assets will be owned by the RAD 6 Development Corporation and fully owned and controlled by HOC. The properties are as follows:

- Washington Square Townhouse, a 50-unit townhome community consisting of 10 two-bedroom units, 32 three-bedroom units, and 8 four-bedroom units originally constructed in 1968 and renovated in 2002, located at 8343 Fairhaven Drive in Gaithersburg, MD 20877.
- KenGar Townhomes, a 19-unit townhouse community consisting of 7 two-bedroom units, 5 three-bedroom units, and 7 four-bedroom units originally constructed in 1979 and located principally at 10731 Shaftsbury Street, Kensington, MD 20895;
- Parkway Woods Townhomes, a 24-unit townhome community consisting of 9 two-bedroom units, 9 three-bedroom units, and 6 four-bedroom units originally constructed in 1980 and located principally at 12933 Twinbrook Parkway, Rockville, MD 20851;
- Towne Centre Place (Olney) Townhouses, a 49-unit townhome community consisting of 14 one-bedroom units, 20 two-bedroom units, and 15 three-bedroom units, originally constructed in 1986 and located principally at 3502 Morningwood Drive, Olney, MD;
- Sandy Spring Meadow Townhouses, a 55-unit community consisting of 25 townhouses and 30 single family homes. All townhouses have two bedrooms and a bath, and family homes have three or four bedrooms with 1.5 to 2 baths. Originally constructed in 1980 and located principally at 1 Branchwood Court, Sandy Spring, MD;
- Seneca Ridge Townhouses, a 71-unit townhouse community consisting of 2 one-bedroom units, 9 two-bedroom units, 40 three-bedroom units, and 20 four-bedroom units that were originally constructed in 1970 and underwent major renovations in 2008, located principally at 19568 Scenery Drive, Germantown, MD.

The properties have been kept in stable condition with sporadic renovations since they were originally constructed, but Federal capital funds have been insufficient to address an aging portfolio. Therefore with the advent of the RAD Program, staff developed a renovation scope that will address the needs of the properties in a comprehensive fashion. Staff will implement the new development standards to address kitchens and baths, with replacement of all appliances to ensure the highest level of efficiency feasible. Exterior upgrades will ensure that the building envelope is secure and not passively increasing energy consumption with the replacement of windows and siding as necessary.

Capital Development Projects (cont.)

The renovation plan will be funded from the proceeds of governmental, tax-exempt bonds of approximately $14.6 million and a mortgage insured under the FHA Risk Sharing program. Of the total project costs, $4.8 million is budgeted to retire existing debt and reimburse prior capital expenditures of the Commission. An additional $10.4 million will fund renovation, financing, reserves and other soft costs. Renovation is set to begin in the second half of FY 2015 and will take place in and around both occupied and vacant units.

The planned improvements will provide a standard of high quality, well designed, amenity rich, energy efficient affordable housing and strong supportive services for Montgomery County that is financially sustainable and competitive within the rental marketplace.

The RAD covenants will provide subsidy to 210 units or 78% of the units to households that do not exceed 80% AMI for any single unit. No more than 25% of the assisted units may be leased by families making more than 30% AMI. The remaining 58 units, or 22%, will be leased as Opportunity Housing units with no income restrictions.

It is anticipated that post-renovation the RAD 6 residents' utility costs and overall property maintenance costs will be reduced. The post-renovation annual net operating income for FY 2015 is anticipated to be approximately $1.2 million.

The first six properties to complete the conversion under the RAD Program and revitalization process will have a significant impact on both the lives of HOC residents and the agency's capital resources. From FY 2016 through FY 2020 operating income is increasing by almost 26% every year. Decoupling fixed capital contributions (Capital Fund Program) and allowing some of the properties to become mixed income provides resources to transform the properties, improve the lives and options of HOC residents, and expand the Commission's impact across the County with new acquisitions. On average each unit will contribute $4,890/year in Net Operating Income (NOI), previously these units required additional subsidy from the Commission to break even.

The following charts depict the anticipated Expenditure and Funding Schedules as well as the anticipated Operating Budget Impact of completing the renovations.

Rental Assistance Demonstration (RAD) Stabilization Properties

Expenditure Schedule

Cost Element	Total	FY 2015
Acquisition Costs	$1,900,000	$1,900,000
Rehab / Construction	$9,164,770	$9,164,770
Capital Reimbursement	$2,965,850	$2,965,850
Fees / Misc. Expenses	$1,189,010	$1,189,010
Total	**$15,219,630**	**$15,219,630**

Funding Schedule

Funding Source	Total	FY 2015
Bond Financing	$14,619,630	$14,619,630
Federal	$600,000	$600,000
Total	**$15,219,630**	**$15,219,630**

Capital Development Projects (cont.)

Operating Budget Impact

Impact Pos/(Neg)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Operating Income	$360,530	$501,400	558,900	$617,560	$677,390	$738,410
Operating Expenses	$894,830	$921,680	$949,330	$977,810	$1,007,140	1,037,350
Non-Operating Expenses	($1,139,280)	($1,074,190)	($1,076,840)	($1,079,580)	($1,082,390)	($1,085,280)
Total	**$116,080**	**$348,890**	**$431,390**	**$515,790**	**$602,140**	**$690,480**

Arcola Towers

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

Arcola Towers is a 40-50 year high rise structure that has received modest improvements since initial construction. HOC seeks to renovate the existing property to extend its useful life for at least another 36 years. The renovation will include the replacement of windows, interior and exterior doors, HVAC systems, kitchen floor plan reconfiguration, and exterior facades. Interior work will require replacement of kitchens and bathrooms (appliances, cabinets, fixtures, and finishes), flooring, and painting. The renovation will be tenant in place, with a phasing schedule based on tiers.

The renovation plan will be funded from the proceeds of Low Income Housing Tax Credits and private activity, tax-exempt bonds of approximately $13.0 million, a seller note of approximately $10.5 million, and federal funds of $100,000. Of the total project costs, $11.8 million is budgeted for the acquisition of the Property. An additional $9.6 million will fund renovation, financing, reserves and other soft costs and approximately $2.2 million for development fees to HOC. Renovation is set to begin in the first half of FY 2016 and will take place in and around both occupied and vacant units. At conversion and closing, Arcola will be owned by a limited partnership in which HOC will service as the managing general partner.

The planned improvements will provide a standard of high quality, well designed, amenity rich, energy efficient affordable housing and strong supportive services for Montgomery County that is financially sustainable and competitive within the rental marketplace.

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

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

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

Capital Development Projects (cont.)

Arcola Towers

Expenditure Schedule

Cost Element	Total	Estimated FY 2014	FY 2015	FY 2016
Acquisition Costs	$11,799,700		$11,799,700	$0
Rehab / Construction	$7,568,720		$2,703,870	$4,864,850
Commitment / Development Fees to HOC	$2,102,210		$639,380	$1,462,830
Fees / Misc. Expenses	$2,166,680	$70,020	$1,271,700	$824,960
Total	**$23,637,310**	**$70,020**	**$16,414,650**	**$7,152,640**

Funding Schedule

Funding Source	Total	Estimated FY 2014	FY 2015	FY 2016
Bond Financing	$7,588,290		$4,514,330	$3,073,960
Tax Credit Equity	$5,438,240		$1,359,560	$4,078,680
Federal	$100,000	$70,020	$29,980	$0
HOC Equity	$10,510,780		$10,510,780	$0
Total	**$23,637,310**	**$70,020**	**$16,414,650**	**$7,152,640**

Operating Budget Impact

	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020
Operating Income	$479,650	$507,310	$553,520	$601,110	$650,130
Operating Expenses	$183,390	$188,890	$194,550	$200,390	$206,400
Non-Operating Expenses	($590,750)	($592,470)	($594,240)	($596,060)	($597,940)
Total	**$72,290**	**$103,730**	**$153,830**	**$205,440**	**$258,590**

Waverly House

Waverly House is a senior housing apartment community (serves senior citizens >62 years of age), placed into service in 1978 and located at 4521 East West Highway, near the intersection of East-West Highway and Wisconsin Avenue in Bethesda, Maryland. The 0.74-acre property is improved with a 15 -story building of 158 units in which 156 are one-bedroom units and 2 two-bedroom units currently used for offices.

Waverly House is a 40 year high rise structure that has received modest improvements since initial construction. HOC seeks to renovate the existing property to extend its useful life for at least another 36 years. The renovation will entail the replacement of windows, interior and exterior doors, HVAC systems, kitchen floor plan reconfiguration, and exterior facades. Interior work will require replacement of kitchens and bathrooms (appliances, cabinets, fixtures, and finishes), flooring, and painting. The renovation will be tenant in place, with a phasing schedule based on tiers

The renovation plan will be funded from the proceeds of Low Income Housing Tax Credits and private activity, tax-exempt bonds of approximately $14.3 million, a seller note of approximately $9.6 million, and federal funds of $100,000. There are no scheduled deferred fees for the project. Of the total project costs, $11.2 million is budgeted for the acquisition of the Property. An additional $10.6 million will fund renovation, financing, reserves and other soft costs and approximately $2.2 million for development fees to HOC. Renovation is set to begin in the first half of FY 2016 and will take place in and around both occupied and vacant units. At conversion and closing, Waverly will be owned by a limited partnership in which HOC will service as the managing general partner.

Capital Development Projects (cont.)

The planned improvements will provide a standard of high quality, well designed, amenity rich, energy efficient affordable housing and strong supportive services for Montgomery County that is financially sustainable and competitive within the rental marketplace.

The RAD covenants will provide subsidy to 151 units or 95% of the units to households that do not exceed 60% AMI. At least 75% of the assisted units must serve families at or below 30% AMI. The remaining 7 units, or 5%, will also be restricted to households at or below 60% AMI.

It is anticipated that post-renovation the Waverly House utility costs and overall property maintenance costs will be reduced. The post-renovation annual net operating income for CY 2017 is anticipated to be approximately $807,120. The income at Waverly House increases an average of 64% per year with expenses decreasing 18% year with the initial investment in the building systems. The conversion to vouchers and addition of low-income tax credits have positioned this property into a stable position for the next 20-30 years.

The following charts depict the anticipated Expenditure and Funding Schedules as well as the anticipated Operating Budget Impact from completing the renovations.

Waverly House

Expenditure Schedule

Cost Element	Total	Estimated FY 2014	FY 2015	FY 2016
Acquisition Costs	$11,173,300	$0	$11,173,300	$0
Rehab / Construction	$8,465,160	$0	$3,027,320	$5,437,840
Commitment / Development Fees to HOC	$2,204,960	$0	$682,500	$1,522,460
Fees / Misc. Expenses	$2,200,620	$81,580	$1,217,210	$901,830
Total	**$24,044,040**	**$81,580**	**$16,100,330**	**$7,862,130**

Funding Schedule

Funding Source	Total	Estimated FY 2014	FY 2015	FY 2016
Bond Financing	$8,750,300	$0	$5,082,840	$3,667,460
Tax Credit Equity	$5,592,900	$0	$1,398,230	$4,194,670
Federal	$100,000	$81,580	$18,420	$0
HOC Equity	$9,600,840	$0	$9,600,840	$0
Total	**$24,044,040**	**$81,580**	**$16,100,330**	**$7,862,130**

Operating Budget Impact

	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020
Operating Income	$604,170	$634,650	$685,870	$738,620	$792,960
Operating Expenses	$192,740	$198,520	$204,470	$210,610	$216,930
Non-Operating Expenses	($679,450)	($681,320)	($683,250)	($685,240)	($687,280)
Total	**$117,460**	**$151,850**	**$207,090**	**$263,990**	**$322,610**

Capital Development Projects (cont.)

Chevy Chase Lake

The redevelopment of Chevy Chase Lake Apartments as a mid-rise multifamily building (The Lake) is proposed to be developed on the western portion of the existing Chevy Chase Lake apartment site. The current development consists of 68 units in 5 garden style apartment buildings. The units were renovated almost ten years ago; however, the renovations do not meet the HOC current standards. More importantly the development is an under-utilization of the site as it does not provide the appropriate level of amenities to our residents, nor the potential resources that it could to the Agency.

On February 7, 2014 the Commission approved the sale of a portion of the Chevy Chase Lake site to EYA to build for sale town homes. On June 13, 2014, the Commission approved staff to undertake negotiation of a development agreement with EYA and a financing agreement with FCP. The two developments were submitted to the County for entitlement approval. The site has received sketch plan approval. The plan proposes 70 for-sale townhomes and an 8 – 10 story apartment building with nearly 30% of the units being affordable and another 15% of the entire site as workforce units. The remainder of the site will provide a public park and an access road which will have a future connection under the Georgetown trail to the adjacent project.

The preliminary and site plan will be submitted in the fall of 2014. Staff believes that the entitlement process will not be completed until fall 2015, and if approved, the construction would not start until December 2015. This is a compelling opportunity to improve the lives of our residents via the sectional map amendment (SMA) process. The redeveloped site would include a park, up to 6,000 square feet of amenity space, underground parking and free internet access for the low-income residents. HOC's proceeds from the townhouse sales would be used for future developments, including the proposed multifamily building.

Due to the uncertain nature of the entitlement process, and the changes that might be made during that process, staff does not believe it prudent to adjust the project's financials to show the impact of the redevelopment.

Chevy Chase Lake

Expenditure Schedule

Cost Element	Total	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Commitment / Development Fees to HOC	$1,500,000	$250,000	$375,000	$375,000	$375,000	$125,000
Fees / Misc. Expenses	$500,000	$250,000	$250,000	$0	$0	$0
Total	**$2,000,000**	**$500,000**	**$625,000**	**$375,000**	**$375,000**	**$125,000**

Funding Schedule

Funding Source	Total	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Deferred Development Fees	$2,000,000	$500,000	$625,000	$375,000	$375,000	$125,000
Total	**$2,000,000**	**$500,000**	**$625,000**	**$375,000**	**$375,000**	**$125,000**

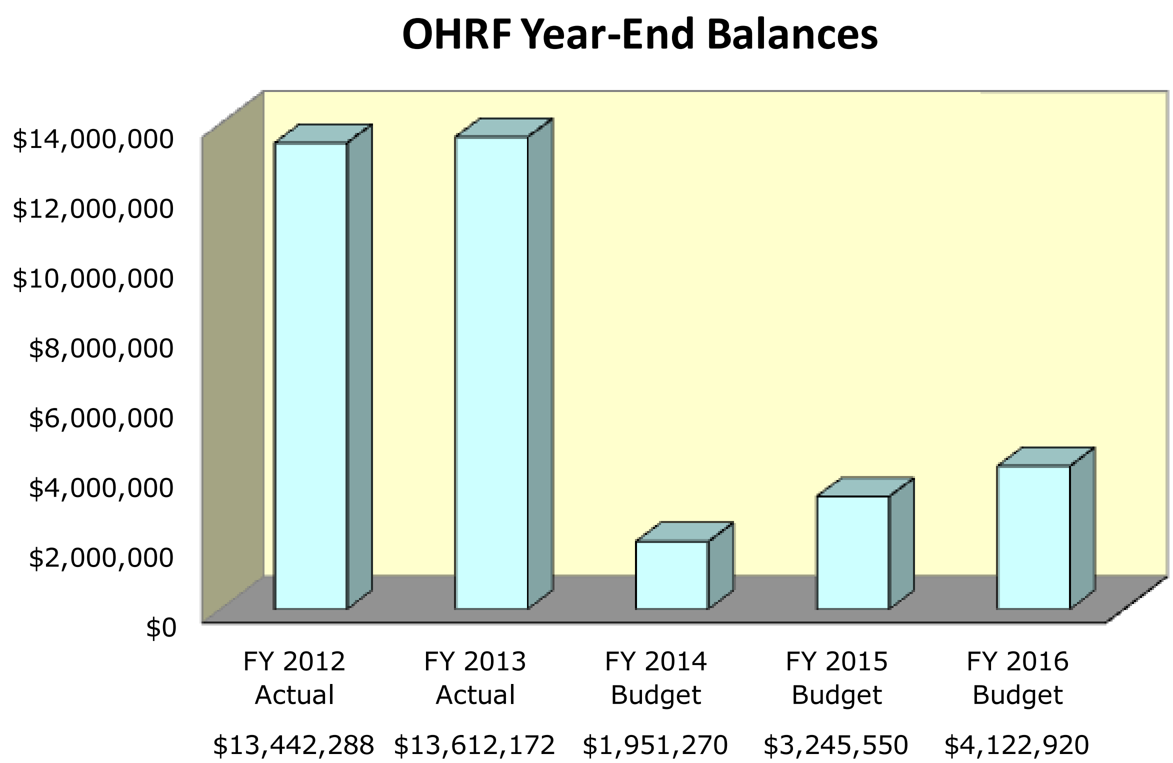
Opportunity Housing Reserve Fund (OHRF)

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 2015-2016 Adopted Budget projects a net increase in the OHRF of $ $1.3 million and $0.9 million, respectively.



Opportunity Housing Reserve Fund (OHRF)

Source of Capital		Total
Cash Balance as of 6/30/13		**$16,672,400**
Source of Funds (FY 2014)		
Sales Proceeds from Scattered Sites		$1,536,830
Budgeted Commitment Fees (60% of Total)		$383,310
Budgeted Development Fees (60% of Total)		$375,000
FY14 IT & Facilities Capital Loan Repayment for FY09		$150,380
Paint Branch Note		$15,050
Interest Income		$1,850
SUBTOTAL		**$2,462,420**
Source of Funds (FY 2015)		
Budgeted Commitment Fees (60% of Total)		$587,300
Budgeted Development Fees (60% of Total)		$1,787,620
SUBTOTAL		**$2,374,920**
	TOTAL	**$4,837,340**
Current Obligations		
Purchase of PH Units		($650)
MetroPointe Interest Rate Swap		($512,860)
Ambassador Predevelopment Loan		($27,870)
Tanglewood/Sligo Hills Bridge Loan		($1,200,000)
Tanglewood/Sligo Hills Pre-Development Loan		$36,560
Scattered Site Pre-Development Loan		($238,520)
Scattered Site Relocation & Renovation		($681,740)
Scattered Site 669 Rehab		($5,000,000)
Restrict Sales Proceeds from Scattered Sites		($5,998,620)
Purchase of Capital One Site		($1,700,000)
Greenhills Predevelopment Loan		($5,000)
Glenmont Crossing Apartments		($462,660)
Hampden Lane refund of development fee (60%)		($138,280)
Security deposit shortage of VPC One tenants		($2,290)
FY 2013 Personnel Expenses (Real Estate Division)		($183,750)
FY 2014 Personnel Expenses (Real Estate Division)		($817,870)
FY 2014 Pre-Development Fund (Real Estate Division)		($200,000)
FY 2014 Zoning Consultant		($50,000)
SUBTOTAL		**($17,183,550)**
Use of Funds (FY 2015)		
Personnel Expenses (Real Estate Division)		($880,640)
Pre-Development Fund (Real Estate Division)		($200,000)
SUBTOTAL		**($1,080,640)**
	TOTAL	**($18,264,190)**
Projected Cash Balance as of 6/30/15		**$3,245,550**
Source of Funds (FY 2016)		
Budgeted Commitment Fees (60% of Total)		$0
Budgeted Development Fees (60% of Total)		$2,016,170
SUBTOTAL		**$2,016,170**
Use of Funds (FY 2016)		
Personnel Expenses (Real Estate Division)		($928,800)
Pre-Development Fund (Real Estate Division)		($210,000)
SUBTOTAL		**($1,138,800)**
Projected Cash Balance as of 6/30/16		**$4,122,920**

Section 4:

PERSONNEL

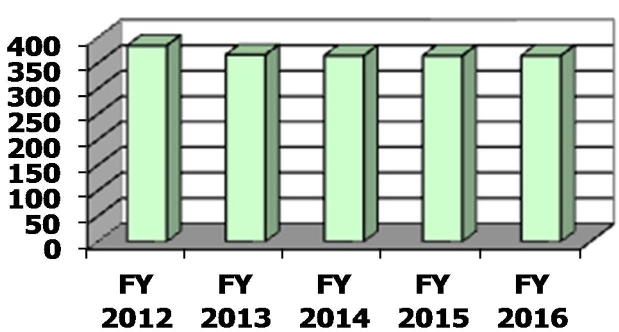
Tab

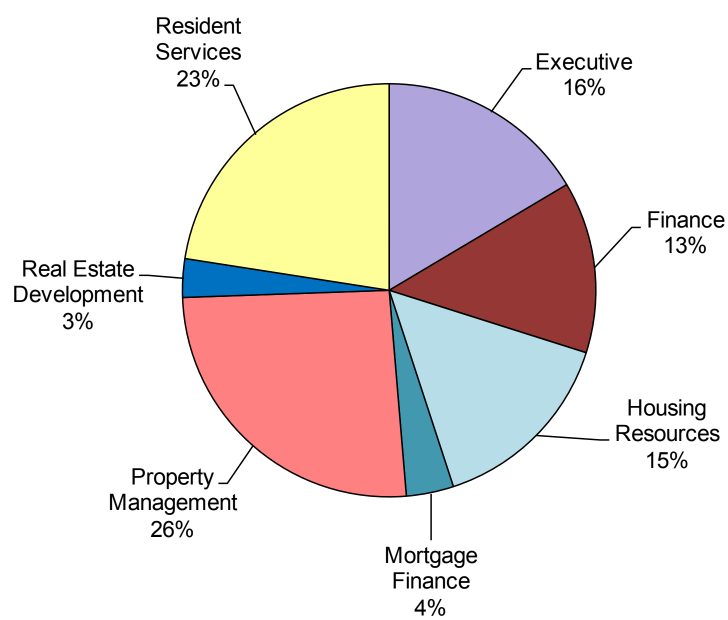
Personnel Assumptions

Personnel Complement

HOC began a comprehensive Agency re-organization in August 2012. The FY 2015-2016 Adopted Budget reflects the ongoing impacts of this undertaking and includes a total of 364.7 work years. Positions have been reassigned between divisions as functions were realigned.

Divisions Full Time Equivalent (FTE)	Actual FY 2012	Actual FY 2013	Amended FY 2014	Adopted FY 2015	Adopted FY 2016	% Change
Executive	41.00	51.00	59.00	60.00	60.00	1.69%
Finance	42.00	52.00	49.00	49.00	49.00	0.00%
Housing Management	139.10	0.00	0.00	0.00	0.00	0.00%
Housing Resources	50.00	56.00	55.00	55.00	55.00	0.00%
Mortgage Finance	14.50	15.50	13.50	13.50	13.50	0.00%
Property Management	0.00	94.60	94.00	94.00	94.00	0.00%
Real Estate Development	6.00	8.50	9.00	11.00	11.00	22.22%
Resident Services	91.70	88.70	85.20	82.20	82.20	-3.52%
Total	**384.30**	**366.30**	**364.70**	**364.70**	**364.70**	**0.00%**





Compensation

FY 2015 General Salary Schedule

The General Salary Schedules, which are used to determine pay for all Career and Term positions was increased by a 3% Cost of Living Adjustment, effective July 1, 2014. 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 $1.15 per hour. Eligible employees certified with Advanced Multilingual skills will receive a pay differential of $1.35 per hour.

Lead Worker

The Lead Worker pay differential is $3.00 per hour.

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	56.0 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 56.0 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 2015 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 $1,730 for FY 2015.

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

Pay Grade	Minimum	Maximum	Longevity *
Grade 8	$27,853	$43,599	$44,471
Grade 9	$28,953	$45,594	$46,506
Grade 10	$30,116	$47,747	$48,702
Grade 11	$31,332	$49,993	$50,993
Grade 12	$32,602	$52,356	$53,403
Grade 13	$33,946	$54,837	$55,935
Grade 14	$35,356	$57,449	$58,597
Grade 15	$36,833	$60,180	$61,383
Grade 16	$38,406	$63,056	$64,317
Grade 17	$40,148	$66,074	$67,395
Grade 18	$41,988	$69,244	$70,628
Grade 19	$43,969	$72,567	$74,018
Grade 20	$46,037	$76,060	$77,581
Grade 21	$48,219	$79,726	$81,321
Grade 22	$50,501	$83,578	$85,250
Grade 23	$52,904	$87,628	$89,381
Grade 24	$55,423	$91,867	$93,704
Grade 25	$58,066	$96,326	$98,253

Hourly Wages

Pay Grade	Minimum	Maximum	Longevity *
Grade 8 Hourly	$13.39	$20.96	$21.38
Grade 9 Hourly	$13.92	$21.92	$22.36
Grade 10 Hourly	$14.48	$22.96	$23.41
Grade 11 Hourly	$15.06	$24.04	$24.52
Grade 12 Hourly	$15.67	$25.17	$25.67
Grade 13 Hourly	$16.32	$26.36	$26.89
Grade 14 Hourly	$17.00	$27.62	$28.17
Grade 15 Hourly	$17.71	$28.93	$29.51
Grade 16 Hourly	$18.46	$30.32	$30.92
Grade 17 Hourly	$19.30	$31.77	$32.40
Grade 18 Hourly	$20.19	$33.29	$33.96
Grade 19 Hourly	$21.14	$34.89	$35.59
Grade 20 Hourly	$22.13	$36.57	$37.30
Grade 21 Hourly	$23.18	$38.33	$39.10
Grade 22 Hourly	$24.28	$40.18	$40.99
Grade 23 Hourly	$25.43	$42.13	$42.97
Grade 24 Hourly	$26.65	$44.17	$45.05
Grade 25 Hourly	$27.92	$46.31	$47.24

* 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	$27,853	$43,599	$44,471	Grade 8 Hourly	$13.39	$20.96	$21.38
Grade 9	$28,953	$45,594	$46,506	Grade 9 Hourly	$13.92	$21.92	$22.36
Grade 10	$30,116	$47,747	$48,702	Grade 10 Hourly	$14.48	$22.96	$23.41
Grade 11	$31,332	$49,993	$50,993	Grade 11 Hourly	$15.06	$24.04	$24.52
Grade 12	$32,602	$52,356	$53,403	Grade 12 Hourly	$15.67	$25.17	$25.67
Grade 13	$33,946	$54,837	$55,935	Grade 13 Hourly	$16.32	$26.36	$26.89
Grade 14	$35,356	$57,449	$58,597	Grade 14 Hourly	$17.00	$27.62	$28.17
Grade 15	$36,833	$60,180	$61,383	Grade 15 Hourly	$17.71	$28.93	$29.51
Grade 16	$38,406	$63,056	$64,317	Grade 16 Hourly	$18.46	$30.32	$30.92
Grade 17	$40,148	$66,074	$67,395	Grade 17 Hourly	$19.30	$31.77	$32.40
Grade 18	$41,988	$69,244	$70,628	Grade 18 Hourly	$20.19	$33.29	$33.96
Grade 19	$43,969	$72,567	$74,018	Grade 19 Hourly	$21.14	$34.89	$35.59
Grade 20	$46,037	$76,060	$77,581	Grade 20 Hourly	$22.13	$36.57	$37.30
Grade 21	$48,219	$79,726	$81,321	Grade 21 Hourly	$23.18	$38.33	$39.10
Grade 22	$50,501	$83,578	$85,250	Grade 22 Hourly	$24.28	$40.18	$40.99
Grade 23	$52,904	$87,628	$89,381	Grade 23 Hourly	$25.43	$42.13	$42.97
Grade 24	$55,423	$91,867	$93,704	Grade 24 Hourly	$26.65	$44.17	$45.05
Grade 25	$58,066	$96,326	$98,253	Grade 25 Hourly	$27.92	$46.31	$47.24
Grade 26	$60,849	$101,009	$103,030	Grade 26 Hourly	$29.25	$48.56	$49.53
Grade 27	$63,742	$105,927	$108,046	Grade 27 Hourly	$30.65	$50.93	$51.94
Grade 28	$66,213	$111,089	$113,310	Grade 28 Hourly	$31.83	$53.41	$54.48
Grade 29	$69,610	$116,507	$118,836	Grade 29 Hourly	$33.47	$56.01	$57.13
Grade 30	$72,769	$122,204	$124,648	Grade 30 Hourly	$34.99	$58.75	$59.93
Grade 31	$76,085	$128,180	$130,744	Grade 31 Hourly	$36.58	$61.63	$62.86
Grade 32	$79,564	$132,103	$134,745	Grade 32 Hourly	$38.25	$63.51	$64.78
Grade 33	$83,217	$136,028	$138,749	Grade 33 Hourly	$40.01	$65.40	$66.71
Grade 34	$87,055	$139,955	$142,755	Grade 34 Hourly	$41.85	$67.29	$68.63
Grade 35	$91,089	$143,879	$146,757	Grade 35 Hourly	$43.79	$69.17	$70.56
Grade 36	$95,323	$147,808	$150,764	Grade 36 Hourly	$45.83	$71.06	$72.48
Grade 37	$99,762	$151,727	$154,762	Grade 37 Hourly	$47.96	$72.95	$74.40

* 20 Years Completed Service and at Maximum of Pay Grade

Pay Grade Schedule—Executive Leadership Service

Pay Grade	Minimum	Midpoint	Maximum
EX-01	$120,200	$147,518	$174,836
EX-02	$136,591	$163,909	$191,227

Section 5:

APPENDIX

Tab

Program History

Program History

Legislative History

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

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

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

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

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

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

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

The 1974 amendments to State law also expanded HOC's bond authority. Previously, HOC was limited to issuing revenue bonds to finance construction of its own developments. With the changes enacted in 1974, HOC was also authorized to issue bonds to finance mortgage loans for persons of eligible income or to finance multifamily construction projects which provide a certain percentage of affordable units. Passed in 1977, State law permitted Montgomery County to guarantee the principal and interest on HOC bonds. The County amended its code in 1978 to detail the process that HOC must follow when HOC bonds are backed by the full faith and credit of the County and establish the limit on the amount of bonds issued that the County guarantees. In 1988, the County raised the limit to $50 million.

Other County Laws Affecting HOC

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

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

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

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

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

HOC Through the Years

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

The 1970s

Through the 1970s, HOC development activity consisted primarily of federally funded public and assisted housing. During the first decade of expanded authority, HOC produced 760 units of affordable housing, including family and elderly public housing and other types of affordable housing. In addition to creating public housing, HOC also obtained and administered Section 8 rental subsidy certificates for Montgomery County (referred to as "Housing Choice Vouchers" today.)

The 1980s

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

The 1990s

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

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

In response, the State of Maryland implemented a Smart Growth Strategy with dual purposes to revitalize older suburban neighborhoods. The Smart Growth initiative targets development efforts in areas where the infrastructure already exists in order to balance development, community livability, and environmental protection. It also has the goal of revitalizing older suburban neighborhoods. During the late 1990s, HOC's development activities focused on "targeted" areas near or inside the Capital Beltway such as Silver Spring, Wheaton and Gaithersburg. In concert with the Montgomery County government, HOC focused on preserving and rehabilitating existing apartment buildings located in Smart Growth areas that were near public transportation with access to major employment centers. HOC also began preserving affordable rental housing properties with expiring federal housing subsidies.

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

The Current Outlook

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

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

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

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

When HOC opened the waiting lists for the Housing Choice Voucher and Public Housing programs in December 2008, more than 33,000 applications were received. The need for affordable housing is unprecedented, and with funding under increasing annual scrutiny, HOC is renewing its effort to maximize every available dollar, pursue new revenue sources, and achieve a greater level of financial self-sufficiency.

The national economic dislocation of the past several years has had a profound effect in Montgomery County and on HOC's clients, residents, and operations. Circumstances are worse than in the early 1990s, and HOC and government at all levels are seeking ways to respond. Budget cuts in previously protected areas have been made and are expected to grow larger in the future. Public Housing funding is perhaps at greater risk for funding cuts due to the capital expenses associated with the program and in 2013, HUD launched the Rental Assistance Demonstration (RAD) as a program to help PHAs transition away from the Public Housing program. The RAD program converts tenant subsidies from the Public Housing program to project-based vouchers and allows HOC to attract private capital to provide these properties with the comprehensive renovations that were not possible with limited capital funding through HUD. HOC plans to rehabilitate or redevelop all of the agency's multifamily Public Housing properties through RAD by the end of FY 2017.

Over the last several years, steady cuts to entitlement programs have greatly impacted human service programs, including those that provide housing subsidies. The implementation of sequestration has compounded previous budget challenges. It is highly unlikely that the deep cuts to the Public Housing program will be reversed in the foreseeable future. Additionally, cuts to the Housing Choice Voucher (HCV) program have forced HOC to adjust the payment and occupancy standards. It is safe to say that Federal funding is more uncertain than ever, which makes it imperative that HOC reduce reliance on Federal subsidies to the greatest extent possible.

Current Housing-Related Demographics in Montgomery County

Montgomery County is the largest county in Maryland with an estimated population of 1,016,677 (2013 figures) consisting of 47 percent Caucasian (non-Hispanic) and 53 percent cultural minorities. It is located on 497 square miles of land next to Washington, DC, and is one of several Maryland and Virginia counties surrounding the District which make up the Washington DC metropolitan area for statistical reporting. It is home to almost 20 percent of the Washington, DC area's households, second only to Fairfax County, Virginia. According to the 2010 Census, the Washington metropolitan area is the seventh largest area and has the highest median income of areas compared.

Other demographic items of note are:

- The 2013 median income for Montgomery County was $104,300 for a household of four. By comparison, the Greater Washington Area Median Income for 2013 is $107,000 for a household of four.
- 6.5% of the total population lives below the Federal Poverty Income guidelines of $23,550 for a household of four; down from 7.5% in 2010.
- The County's estimated labor force was 535,271 with an unemployment rate of 5.1% as of September 2013.
- 54% of the workforce reside and work in the County, while 46% work outside the County; 76% of employed residents commute by car.
- 91% of the population are High School graduates, while 56.9% have an advanced degree.
- The median age in the County is 38.4.
- 23.6% of the population is under 18 years old, while 13.3% of the population is 65 or older.
- 51.6% of the population is female.
- 31.4% of County residents are foreign born.
- About 37.6% of Maryland's foreign born population resides in Montgomery County.
- Montgomery County's proportion of

households in Maryland is expected to grow from 16.5% in 2010 to 17.1% in 2040.

- Between 2010 and 2040, Montgomery County will absorb 17.8% of the State's household growth.
- 82% of the housing allowed by Montgomery County plans is already built.
- The average household size was 2.67 in 2012.
- 33.2% of the County's households live in multifamily properties, which remain the largest share of home construction.
- 51.5% of renters pay more than 30% of their income on housing costs.
- 31.4% of homeowners pay more than 30% of their income on housing costs.
- The median sales price for all home types in Montgomery County in 2013 was $424,800.
- Time on the market before a house is sold averages 38 days.
- Homeownership rate for 2012 was 68.2%.
- 31% households are renter occupied.
- Apartment rents are continuing their upward trend from an average of $1,212 in 2006 to an average of **$1,476** in 2014.
- Average apartment rents in 2014:
  - Efficiency $1,251
  - 1-Bedroom $1,321
  - 2-Bedroom $1,564
  - 3-Bedroom $2,089
  - 4-Bedroom $2,632
- The hourly wage needed to afford a 2-bedroom apartment at Fair Market Value is $28.25 ($58,760 annual).
- At minimum wage, 3.9 full-time jobs would be needed to afford a 2-bedroom apartment at Fair Market Value.
- Renter Households earn an estimated average hourly wage of $18.52 ($38,520 annual).
- At the average hourly wage, 1.5 full-time jobs would be required to afford a 2-bedroom apartment at Fair Market Rent in Montgomery County.
- A January 2013 one-day census in Montgomery County counted 1,007 people who are homeless. Approximately 23% (roughly 229) are children .
- 27% of homeless without children and 48% of homeless people with children in Montgomery County have jobs but still cannot afford housing.

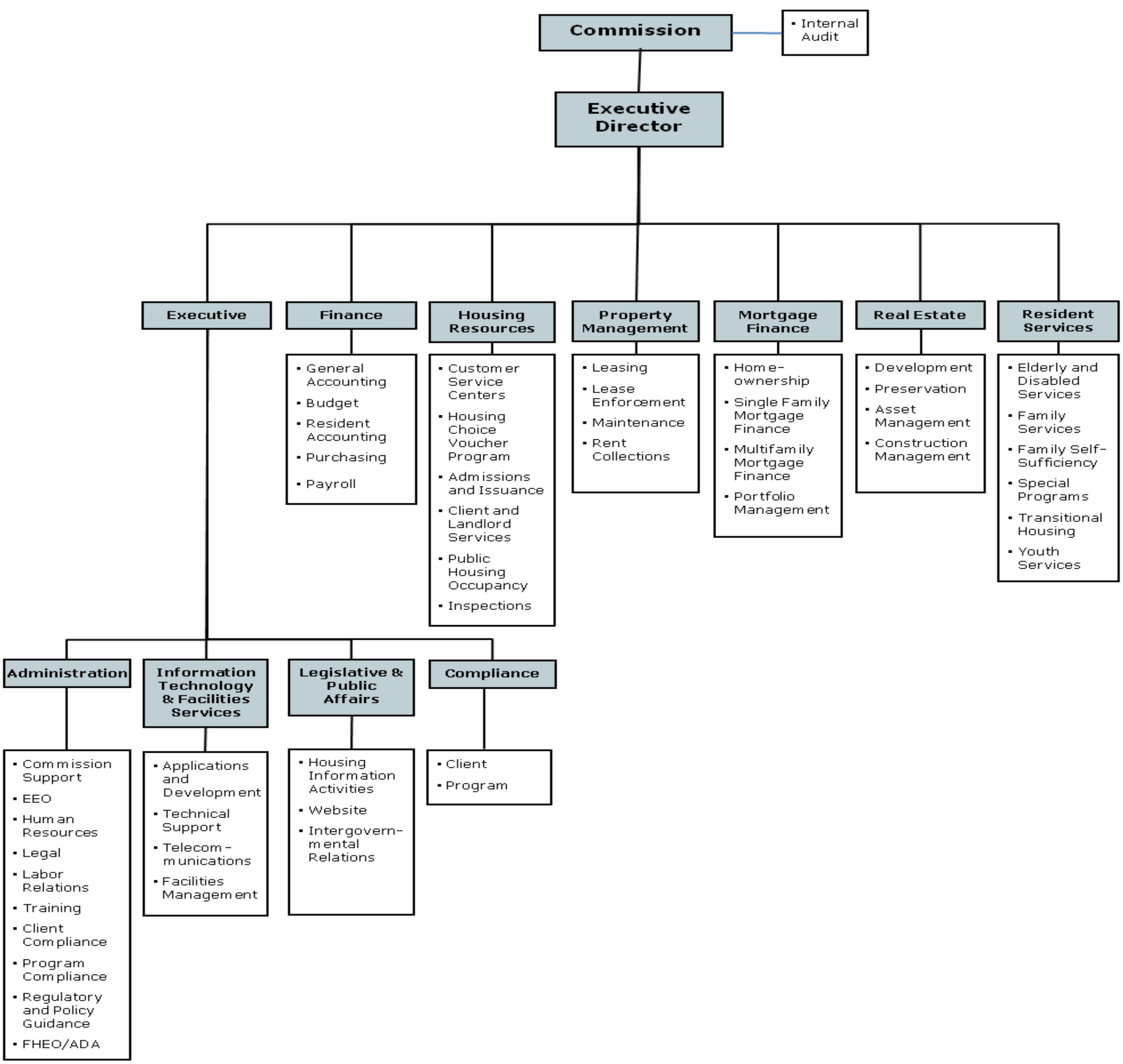
Description of Current Programs

HOC administers a wide variety of housing programs, including:

- The Public Housing Rental Program which provides housing for low- and moderate-income families, as well as elderly and disabled individuals, who pay 30 percent of their adjusted gross income for rent.
- The Public Housing Homeownership Program is a rental housing program wherein families pay 30 percent of their adjusted gross income each month to HOC. A portion of this monthly payment is placed in two reserve accounts. Once the family's income is high enough to secure a mortgage, these reserve accounts can be used for the down-payment and/or closing costs. (Title to the home along with all rights and responsibilities of homeownership is given to the resident.)
- The Housing Choice Voucher Program (formerly Section 8) sponsored by the U.S. Department of Housing and Urban Development (HUD) assists eligible persons to secure rental housing in the private marketplace. This program allows eligible families to pay up to 40% of their monthly income for rent.
- The Opportunity Housing Program encompasses a variety of local rental housing programs owned by HOC for families of eligible income and for market rate households.
- The HUD 236 Program provides housing for eligible tenants. HOC manages these developments for their non-profit owners.

- Tax Credit Partnerships provide rental housing for low- and moderate-income households. HOC manages these partnerships and is a 1% general partner.
- The Development Corporations are non-profit owners of HOC-financed properties that are insured under the FHA Risk Sharing Program.
- Single Family Mortgage Revenue Bonds provide below-market interest rate mortgage loans for the purchase of single family homes for moderate-income families.
- Multifamily Housing Revenue Bonds provide below-market rental units within multifamily developments for low-to moderate-income families.
- The Housing Resource Service provides customer service for citizens seeking affordable housing, specialized housing for the elderly and those with disabilities, and round-the-clock housing information through the HOC website.
- These programs are supported by an array of resident services funded by Federal, State and County agencies.

Housing Opportunities Commission Functional Organization Chart



Organizational Structure and Staff

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

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

HOC's Annual Management Process

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

Strategic Planning

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

Budget Preparation

The budget preparation process begins in September of each year. It involves the production of a capital plan, the recommended budget, and the adopted budget which expresses the priorities of the Strategic Plan. The capital plan includes both a long term plan for producing more affordable housing and a ten-year plan for maintaining our current housing stock. The Commission considers the capital plan before the operating budget because some decisions, such as certain capital improvements, have impacts on the operating budget. The capital plan delineates long term funding needs and sources for each project. Potential funding issues for specific capital projects are discussed during the process. In April, the Executive Director presents a recommended budget to the Commission. The budget includes specific program objectives used to evaluate each division's performance over the next year. The Commission discusses the recommended budget in April and May and adopts an annual budget in June for the fiscal year beginning July 1. The adopted budget becomes the financial and operational plan for the coming year.

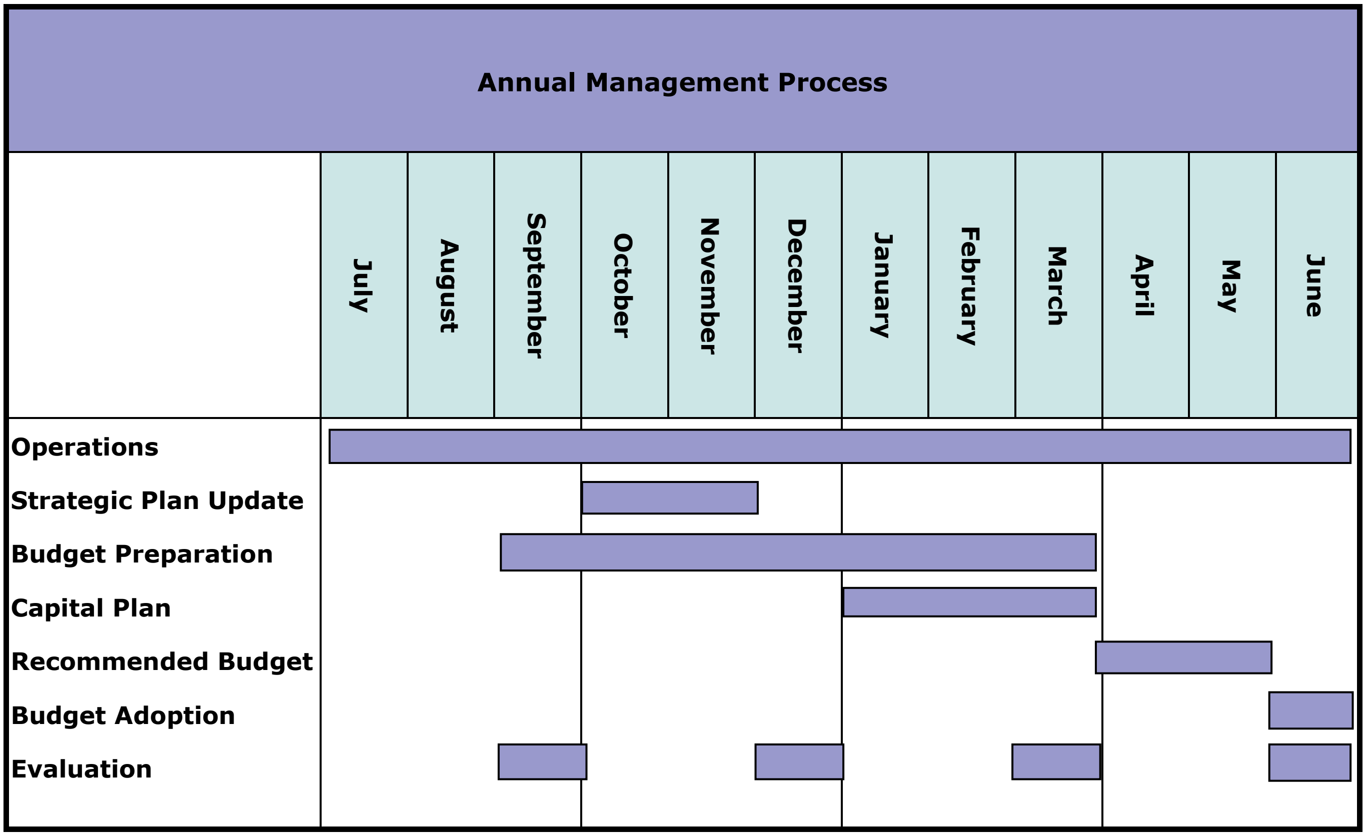
Operations

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

Evaluation

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

Annual Management Process Chart



Units

Units Summary

Adopted Budget
June 4, 2014

Summary

Housing Type	Actual As of 6/30/2013	Estimate As of 6/30/2014	Budget As of 6/30/2015	Budget As of 6/30/2016
Public Housing Rental				
HOC Managed	1,546	1,094	256	256
Public Housing HomeOwnership				
HOC Managed	7	7	7	7
Opportunity Housing & Development Corps.				
HOC Managed	903	1,429	1,913	1,913
Contract Managed	2,634	2,652	2,652	2,652
Units Owned by HOC	**5,090**	**5,182**	**4,828**	**4,828**
Managed Properties				
HOC Managed	592	508	807	807
Contract Managed	1,300	1,300	1,300	1,300
Subtotal	**1,892**	**1,808**	**2,107**	**2,107**
Units Administered				
Rental Assistance Programs	6,209	6,550	6,851	6,851
Transitional Housing Programs	163	164	165	165
Special Programs	557	522	559	559
Subtotal	**6,929**	**7,236**	**7,575**	**7,575**
Units Managed or Administered	**8,821**	**9,044**	**9,682**	**9,682**
TOTAL - ALL UNITS	**13,911**	**14,226**	**14,510**	**14,510**
Total Units Managed by HOC	**3,048**	**3,038**	**2,983**	**2,983**
Total Units Contract Managed	**3,934**	**3,952**	**3,952**	**3,952**
Total Units Administered by HOC	**6,929**	**7,236**	**7,575**	**7,575**

Part A: Units Owned by HOC

Property No.	Property Name	Actual As of 6/30/2013	Estimate As of 6/30/2014	Budget As of 6/30/2015	Budget As of 6/30/2016
	PUBLIC HOUSING RENTAL				
Elderly Communities					
511-402	Elizabeth House	160	160	160	160
511-413	Holly Hall	96	96	96	96
511-415	Arcola Towers	141	141	0	0
511-417	Waverly House	158	158	0	0
	Subtotal - Elderly	**555**	**555**	**256**	**256**
Family Communities					
511-404	Emory Grove	54	54	0	0
511-405	Washington Square	50	50	0	0
511-414	Seneca Ridge (Middlebrook Square)	71	71	0	0
511-422	Ken Gar	19	19	0	0
511-426	Parkway Woods	24	24	0	0
511-430	Towne Centre Place	49	49	0	0
511-432	Sandy Spring	55	55	0	0
	Subtotal - Family	**322**	**322**	**0**	**0**
Scattered Units					
511-001	Scattered Site Central	130	21	0	0
511-002	Scattered Site East	110	13	0	0
511-003	Scattered Site Gaithersburg	140	78	0	0
511-004	Scattered Site North	139	83	0	0
511-005	Scattered Site West	150	22	0	0
	Subtotal - Scattered	**669**	**217**	**0**	**0**
	Subtotal-Public Housing Rental	**1,546**	**1,094**	**256**	**256**
	PUBLIC HOUSING HOMEOWNERSHIP				
Family Communities					
524-411	Tobytown	7	7	7	7
	Subtotal - Family	**7**	**7**	**7**	**7**
	Subtotal-Homeownership	**7**	**7**	**7**	**7**
	Total Public Housing Units (all HOC Managed)	**1,553**	**1,101**	**263**	**263**

Property No.	Property Name	Actual As of 6/30/2013	Estimate As of 6/30/2014	Budget As of 6/30/2015	Budget As of 6/30/2016
	OPPORTUNITY HOUSING & DEVELOPMENT CORPORATIONS				
Family Communities - HOC Managed					
469-471	Chelsea Towers	21	21	21	21
499-500	Jubilee Hermitage	3	3	3	3
499-501	Jubilee Woodedge	3	3	3	3
499-502	Jubilee Falling Creek	3	3	3	3
499-503	Jubilee Horizon	0	0	3	3
911-405	Washington Square	0	0	50	50
911-414	Seneca Ridge (Middlebrook Square)	0	0	71	71
911-422	Ken Gar	0	0	19	19
911-426	Parkway Woods	0	0	24	24
911-430	Towne Centre Place	0	0	49	49
911-432	Sandy Spring	0	0	55	55
915-458	Pomander Court (Dev. Corp.)	24	24	24	24
965-480	Magruder's Discovery (Dev. Corp.)	134	134	134	134
	Subtotal - Family HOC Managed	**188**	**188**	**459**	**459**

Part A: Units Owned by HOC continued

Property No.	Property Name	Actual As of 6/30/2013	Estimate As of 6/30/2014	Budget As of 6/30/2015	Budget As of 6/30/2016
	OPPORTUNITY HOUSING & DEVELOPMENT CORPORATIONS (cont.)				
Scattered Units - HOC Managed					
452-469	McHome	38	38	38	38
454-451	Holiday Park	20	20	20	20
455-714	MHLP I	17	0	0	0
461-464	Paint Branch	14	14	14	14
462-466	McKendree	16	13	13	13
463-467	MPDU I	64	64	64	64
470-450	State Rental Combined	196	196	196	196
487-001	MPDU 2004	38	0	0	0
488-000	CDBG Units	3	3	3	3
489-000	NSP Units	7	7	7	7
490-000	NCI Units	14	14	14	14
499-900	MPDU 2007 - Phase II	5	6	6	6
Various	MHLP II—VIa	11	4	0	0
817-720	MHLP VII	0	35	35	35
818-721	MHLP VIII	0	49	49	49
913-484	MPDU III (Dev. Corp.)	23	23	23	23
915-468	MPDU II (Dev. Corp.)	59	59	59	59
921-100	Scattered Site One (Dev. Corp.)	190	190	190	190
921-200	Scattered Site Two (Dev. Corp.)	0	54	54	54
922-100	VPC One (Dev. Corp.)	0	334	390	390
922-200	VPC Two (Dev. Corp.)	0	118	279	279
	Subtotal - Scattered HOC Managed	**715**	**1,241**	**1,454**	**1,454**
	Subtotal-HOC Managed	**903**	**1,429**	**1,913**	**1,913**
Family Communities - Contract Managed					
414-460	Fairfax Court	18	18	18	18
417-477	Pooks Hill High-Rise	189	189	189	189
418-476	Pooks Hill Mid-Rise	50	50	50	50
427-490	Greenhills	78	78	78	78
433-487	Strathmore Court @ White Flint	151	151	151	151
435-489	Westwood Towers	212	212	212	212
436-100	Brooke Park Apts	0	18	18	18
441-485	Brookside Glen (The Glen)	90	90	90	90
442-473	Diamond Square	124	124	124	124
499-200	Dale Drive	10	10	10	10
499-400	Southbridge	39	39	39	39
841-748	Ambassador	162	162	162	162
912-479	Alexander House (Dev. Corp.)	311	311	311	311
914-488	The Metropolitan (Dev. Corp.)	216	216	216	216
915-472	Timberlawn (Dev. Corp.)	107	107	107	107
917-478	Montgomery Arms (Dev. Corp.)	129	129	129	129
918-100	MetroPointe (Dev. Corp.)	120	120	120	120
919-200	Paddington Square (Dev. Corp.)	165	165	165	165
920-300	Chevy Chase Lake (Dev. Corp.)	68	68	68	68
920-400	Barclay (Dev. Corp.)	76	76	76	76
923-480	Glenmont Crossing (Dev. Corp.)	97	97	97	97
923-481	Glenmont Westerly (Dev. Corp.)	102	102	102	102
	Subtotal - Family Contract Managed	**2,514**	**2,532**	**2,532**	**2,532**
Elderly Communities - Contract Managed					
911-475	The Oaks (Dev. Corp.)	120	120	120	120
	Subtotal - Elderly Contract Managed	**120**	**120**	**120**	**120**
	Subtotal-Contract Managed	**2,634**	**2,652**	**2,652**	**2,652**
Total Opportunity Housing and Development Corporations		**3,537**	**4,081**	**4,565**	**4,565**

Part B: Units Managed and Administered by HOC

Property No.	Property Name	Actual As of 6/30/2013	Estimate As of 6/30/2014	Budget As of 6/30/2015	Budget As of 6/30/2016
	MANAGED PROPERTIES				
236 Elderly Communities - HOC Managed					
871-701	Bauer Park	142	142	142	142
872-703	Town Center Apts.	112	112	112	112
	Subtotal - Elderly HOC Managed	**254**	**254**	**254**	**254**
Other Family Communities - HOC Managed					
899-000	Lasko Manor. LP	12	12	12	12
874-705	Camp Hill Square (236 property)	51	51	51	51
	Subtotal - Family HOC Managed	**63**	**63**	**63**	**63**
Scattered Units - HOC Managed					
811-415	Arcola Towers	0	0	141	141
811-417	Waverly House	0	0	158	158
817-720	MHLP VII	35	0	0	0
818-721	MHLP VIII	49	0	0	0
819-711	MHLP IX (Pond Ridge)	40	40	40	40
819-712	MHLP IX (MPDU units)	76	76	76	76
820-713	MHLP X	75	75	75	75
	Subtotal - Scattered HOC Managed	**275**	**191**	**490**	**490**
	Subtotal-HOC Managed	**592**	**508**	**807**	**807**
Family Communities - Contract Managed					
818-100	MetroPointe LP	53	53	53	53
831-787	Strathmore Court LP	51	51	51	51
832-788	The Metropolitan of Bethesda LP	92	92	92	92
833-741	Manchester Manor Apts. LP	53	53	53	53
834-742	Shady Grove Apartments LP	144	144	144	144
835-743	The Willows of Gaithersburg Associates LP	195	195	195	195
837-744	MV Affordable Housing Associates LP	94	94	94	94
838-714	Georgian Court Silver Spring LP	147	147	147	147
839-746	Barclay One Associates LP	81	81	81	81
840-747	Spring Garden One Associates LP	83	83	83	83
842-749	Forest Oak Towers LP	175	175	175	175
843-750	Tanglewood and Sligo LP	132	132	132	132
	Subtotal - Family Contract Managed	**1,300**	**1,300**	**1,300**	**1,300**
	Subtotal Contract Managed Properties	**1,300**	**1,300**	**1,300**	**1,300**
	Total Managed Properties	**1,892**	**1,808**	**2,107**	**2,107**

Part B: Units Managed and Administered by HOC continued

Property Name	Actual As of 6/30/2013	Estimate As of 6/30/2014	Budget As of 6/30/2015	Budget As of 6/30/2016
UNITS ADMINISTERED				
Rental Assistance Programs				
Vouchers	5,821	6,084	6,422	6,422
Portables	359	437	400	400
Mod / Rehab	29	29	29	29
Subtotal-Rental Assistance	**6,209**	**6,550**	**6,851**	**6,851**
Transitional Housing Programs				
McKinney III	10	10	10	10
Turnkey	11	11	11	11
McKinney X	128	129	130	130
McKinney XII	14	14	14	14
Subtotal-Transitional Housing	**163**	**164**	**165**	**165**
Specialized Programs				
State Rental Assistance Program (RAP)	29	35	35	35
Shelter Plus Care	41	42	42	42
Shelter Plus Care - New Neighbors	17	18	17	17
Shelter Plus Care - New Neighbors II	4	3	5	5
Housing Counselor Programs	60	60	60	60
Rent Supplemental Programs	267	270	310	310
Housing Initiative Program (HIP)	92	94	90	90
Master Lease Properties	47	0	0	0
Subtotal-Specialized Programs	557	522	559	559
Total Administered Properties	**6,929**	**7,236**	**7,575**	**7,575**

Part C: HOC Financing

PRIVATELY OWNED UNITS FINANCED BY THE HOC PROPERTY NAME	Actual As of 6/30/2013	Estimate As of 6/30/2014	Budget As of 6/30/2015	Budget As of 6/30/2016
Private Bond-Financed Properties				
1 Amherst Square	125	125	125	125
2 Argent	96	96	96	96
3 Blair Park	52	52	52	52
4 Byron House	32	32	32	32
5 Canterbury	544	544	544	544
6 Charter House	212	212	212	212
7 Churchill Senior Living Phase II	0	0	133	133
8 Clopper Mill Manor	102	102	102	102
9 Covenant Village	89	89	89	89
10 Drings Reach	104	104	104	104
11 Oakfield Apartments	371	371	371	371
12 Lenox Park	406	406	406	406
13 Oak Mill II	192	192	192	192
14 Olney Manor	100	100	100	100
15 Randolph Manor	83	83	83	83
16 Ring House	248	248	248	248
17 Rockville Housing Enterprises	56	56	56	56
18 Silver Spring House	80	80	80	80
19 University Manor	136	136	136	136
20 Victory Court	86	86	86	86
21 Victory Forest	181	181	181	181
PRIVATE SUBTOTAL	**3,295**	**3,295**	**3,428**	**3,428**

Part D: HOC Financing

NUMBER OF SINGLE FAMILY LOANS	Actual As of 6/30/2013	Estimate As of 6/30/2014	Budget As of 6/30/2015	Budget As of 6/30/2016
HALF LOANS				
Number of New Loans				
First Trusts	1	0	1	0
Closing Cost	1	0	1	0

	Actual As of 6/30/2013	Estimate As of 6/30/2014	Budget As of 6/30/2015	Budget As of 6/30/2016
CLOSING COST LOANS				
Number of New Loans	100	112	140	140
Number of Loans Outstanding	406	543	683	823

	Actual As of 6/30/2013	Estimate As of 6/30/2014	Budget As of 6/30/2015	Budget As of 6/30/2016
MORTGAGE PURCHASE PROGRAM				
Number of New Loans	102	101	130	130
Number of Loans Outstanding - Whole Loans & MBS	1,480	1,321	1,451	1,581

This page intentionally left blank.

General Financial Information

General Financial Information

Financial Policies

Budget Policy

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

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

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

Internal Control

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

Investment Policy

All funds not needed for immediate expenditure are invested in interest bearing accounts or securities consistent with governing laws and regulations.

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

Investment of HOC funds are limited to:

1. Obligations for which the United States has pledged its full faith and credit for payment of principal and interest.
2. Obligations that a Federal agency issues in accordance with an act of Congress.
3. Investments or deposits of any type that are insured by the Federal government as to principal and interest.
4. Repurchase agreements with banking institutions that maintain the highest short term deposit rating from Standard & Poor's (A-1) and/or Moody's (P-1) or a long term deposit rating no lower than AA from either Moody's or Standard & Poor's.
   a. Repurchase agreements must be collateralized by one of the following:
      - U.S. government obligations backed by the full faith and credit of the U.S. Government, or
      - Federal agency obligations backed by the full faith and credit of the U.S. Government.

   b. Value of the underlying repurchase collateral must be equal to or greater than 102% of the principal and interest amount of the investment.

   c. Prior to negotiating repurchase trades with any financial institution, a repurchase agreement contract mutually acceptable to both HOC and the financial institutions must be executed.

d. Collateral must be held by a third party custodian.

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

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

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

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

Petty Cash Policy

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

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

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

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

The term "Cash" in this situation means actual currency and coin as distinct from a checking account in a bank. The term "Petty" means "of a secondary importance or rank, especially in relation to others of the same class or kind". Thus, Petty Cash is secondary to HOC's main

Financial Policies cont.

cash bank accounts, but it is not unimportant with respect to security, record keeping and control.

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

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

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

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

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

Rental Income Collection Policy

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

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

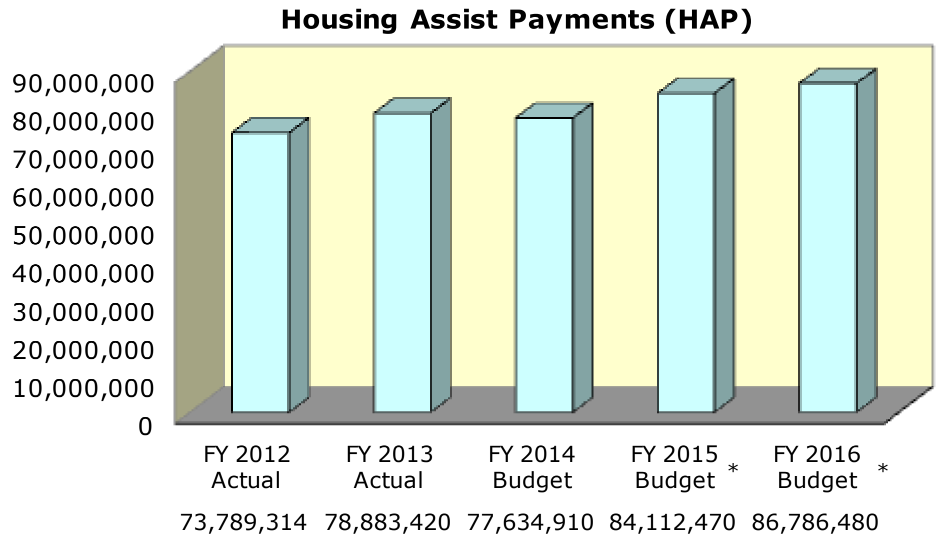
The Resident Manager may approve adjustments up to $50; the Property Manager up to $500; and the Division Director for anything above $500.

Description of Major Revenue Sources

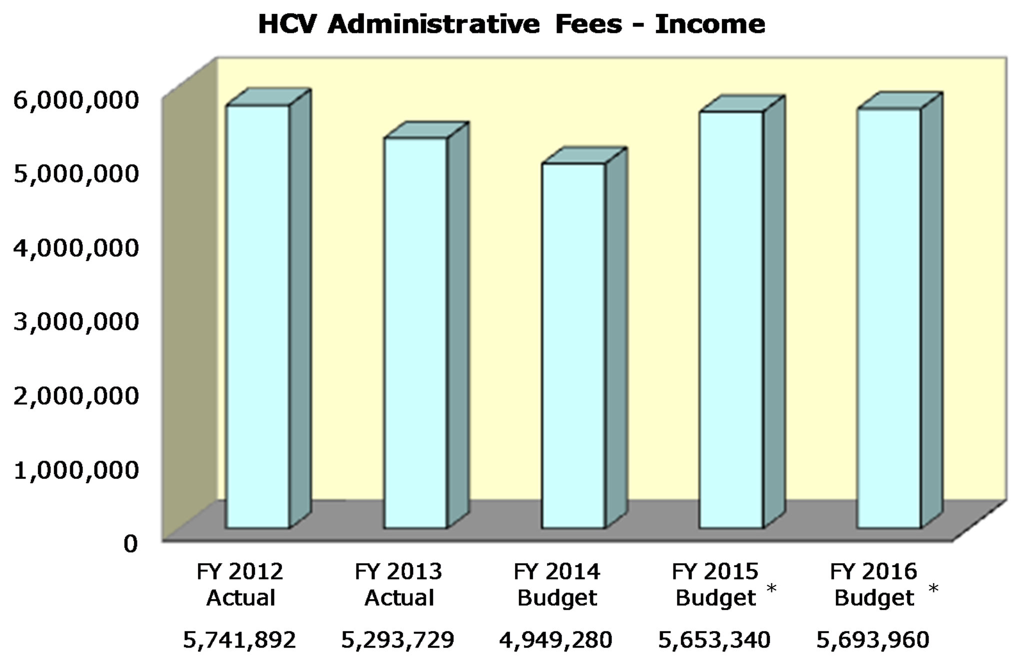
Federal Funds

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

HAP is rent subsidy payments that HOC receives from the Federal Department of Housing and Urban Development (HUD) and passes onto the private landlords on behalf of HCV Program participants. To be eligible for this program, HCV recipients must have a gross household income below 50% of the area median income. Rent subsidy certificates are held by program participants who choose rental units in the private market, provided that the rent is less than a maximum Fair Market Rent (FMR) established by HUD. The program requires that HCV recipients contribute 30% of their household income toward rent, with the HCV Program providing the balance up to the federally determined rent ceiling.



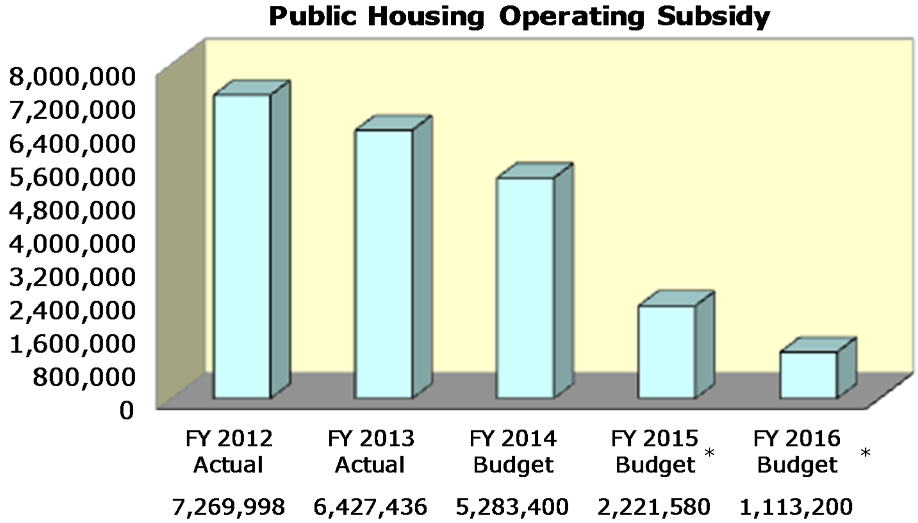
**Represents 34.1% and 35.0% of Revenues for FY 2015 and FY 2016, respectively.*



**Represents 2.3% of Revenues for both FY 2015 and FY 2016.*

Public Housing Operating Subsidy

HOC receives an annual grant from HUD for operating Public Housing units. HOC applies for this subsidy each year as part of its Public Housing budget submission to HUD. The subsidy is awarded on a calendar year basis. Prior to CY 2008, the subsidy was calculated at the Agency level. Beginning in CY 2008, the subsidy is now calculated for each Asset Management Project or AMP. For FY 2015-2016, the subsidy is based on FY 2013 income and expenses adjusted for inflation.

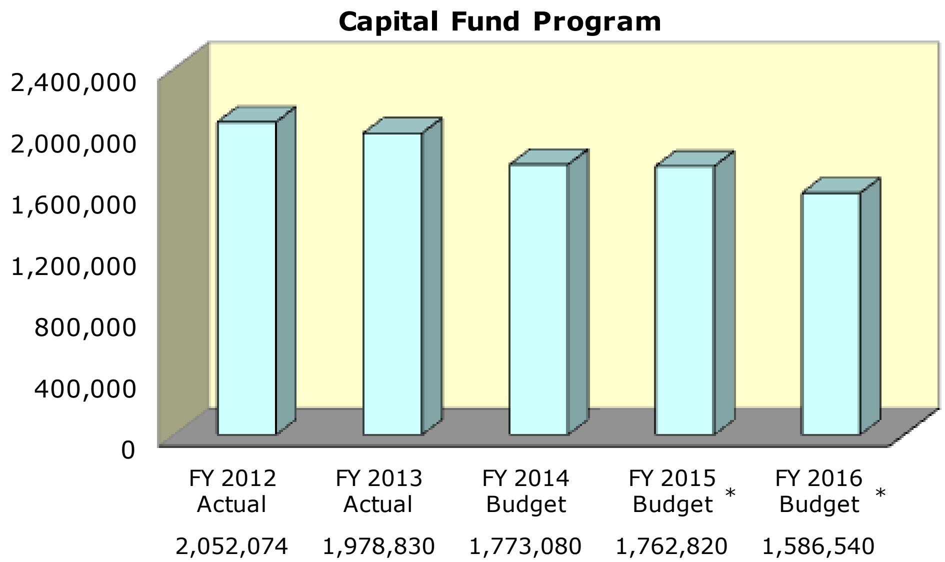


**Represents 0.9% and 0.4% of Revenues for FY 2015 and FY 2016, respectively.*

The FY 2015-2016 budget is based on 85% funding rate from HUD.

Capital Fund Program (CFP)

HOC applies to HUD for CFP funds to modernize Public Housing units; these funds are allocated on a formula basis. In order to obtain these funds, HOC prepares a multi-year comprehensive plan identifying improvement needs. The amount of future funds available for capital improvements of Public Housing will impact the Agency's Public Housing operating budget as well as who can be served in these units in the future. The rent and operating subsidies in Public Housing do not provide any funds for replacement reserves for future capital improvements, so if capital funds are cut – then operating costs will increase.



**Represents 0.7% and 0.6% of Revenues for FY 2015 and FY 2016, respectively.*

The FY 2015-2016 capital budget includes an estimated award of $1.8 million and $1.6 million, respectively, from the Capital Fund Program.

McKinney Funds

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

Other HUD Grants

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

State Funds

State Rental Allowance Payment (RAP) Program

The State's RAP Program is a rent subsidy program administered by the Maryland Department of Housing and Community Development. The State RAP Program provides a fixed rent subsidy payment to eligible families who have emergency housing needs. The state provides a minimal management fee 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 County Recordation Tax funds to be used as the County's match for this program.

The FY 2015-2016 budget reflects a full year's operation for this program.

County Funds

County Operating Grant

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

Montgomery Housing Initiative Fund (HIF)

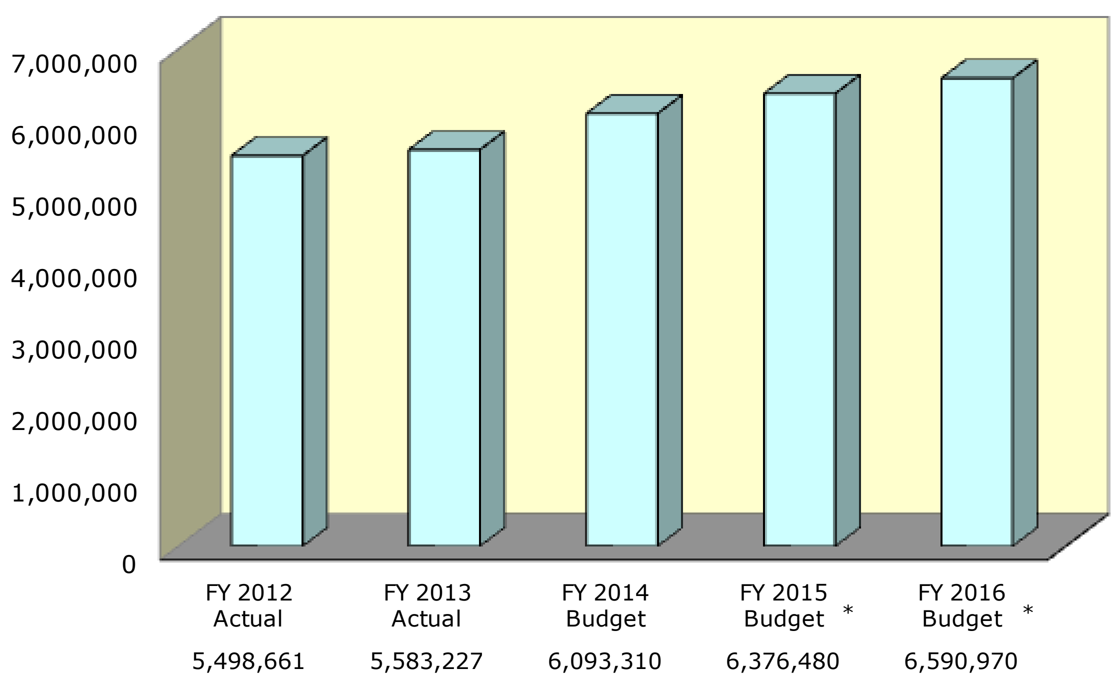
This fund was established by County law in 1988 to construct or acquire affordable housing units; buy and rehabilitate existing rental units that would otherwise be removed from the supply of affordable housing; and/or participate in mixed-use housing developments that will include affordable housing. HOC requests funds from the HIF on a specific basis.

County Revolving Funds

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

As of June 30, 2013, HOC had $7.0 million in outstanding loans, which equals 41% of total authority.

County Operating Grant



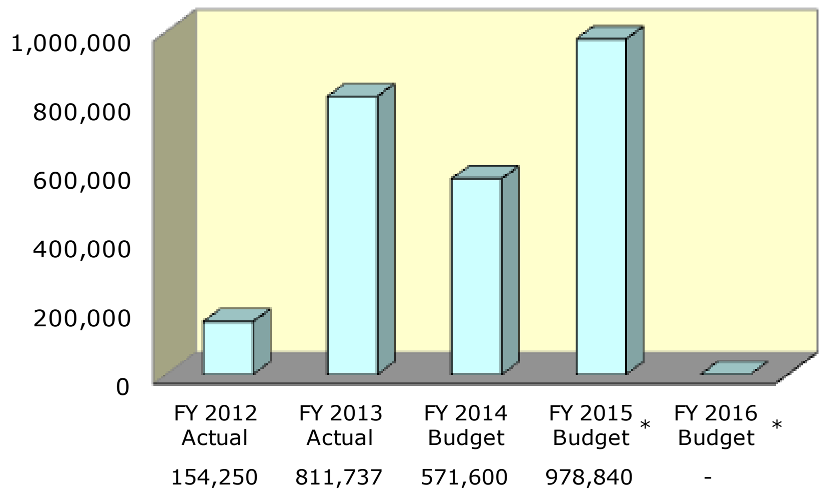
**Represents 2.6% and 2.7% of Revenues for FY 2015 and FY 2016, respectively.*

Mortgage Finance Activities

Multifamily Commitment Fees

The HOC Multifamily Commitment Fee structure varies between the bonds that are issued to finance HOC owned or HOC affiliated developments and those issued to finance the activities of private or non-profit owners. HOC charges private and non-profit developers a one percent commitment fee, which is competitive with the fees charged by the state for their housing bonds. HOC charges a two percent commitment fee to its own developments and developments that are affiliated with the Commission. The commitment fee revenue is used to support the Agency's operating budget and to fund a capital reserve account.

Commitment Fees



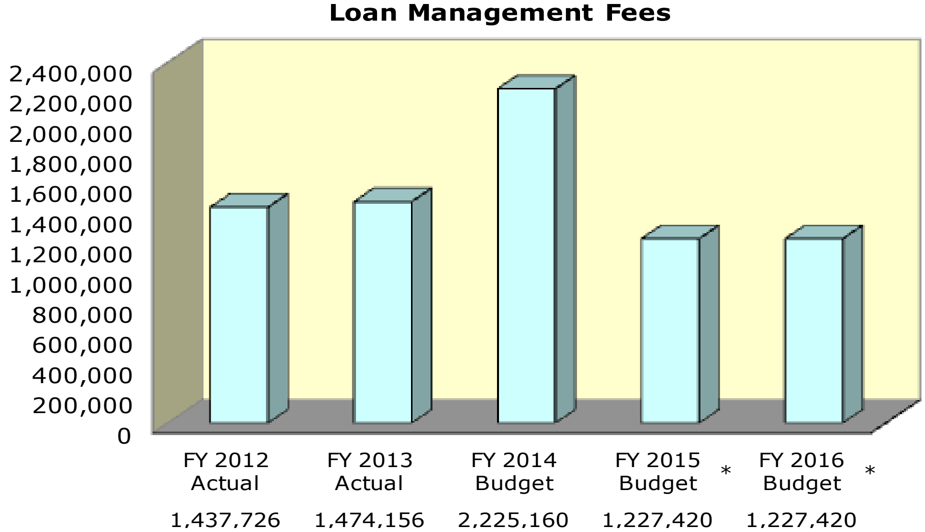
Represents 0.4% and 0.0% of Revenues for FY 2015 and FY 2016, respectively.

In FY 2015, 40% of all commitment fees collected will be used to support the Agency's operations. The other 60% of the fees will go to the Opportunity Housing Reserve Fund (OHRF) to fund future affordable housing development.

Multifamily Loan Management Fees

HOC charges an ongoing loan management fee on multifamily mortgage loans. The loan management fee is based on 0.25% of the original mortgage for as long as the bonds remain outstanding or the project requires compliance monitoring to satisfy its legal requirements. The Multifamily Loan Management Fee revenues are used to support the Agency's operating budget.

Loan Management Fees



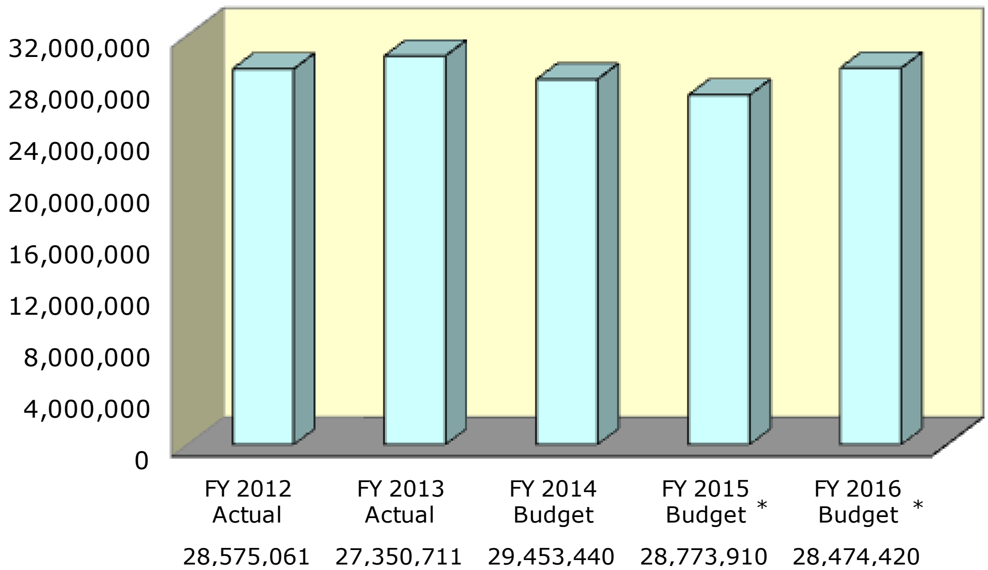
Represents 0.5% of Revenues for both FY 2015 and FY 2016.

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

Mortgage Interest Income

In accordance with HOC's mission to increase affordable housing in Montgomery County, HOC issues bonds to be used for the purchase of single family mortgages and the origination of multifamily properties. When bonds are issued, mortgage interest income will increase. Simultaneously, HOC actively seeks opportunities to lower borrowing costs by refunding bonds which represents reduced mortgage interest income. This ongoing activity of issuing and refunding bonds to support our mission results in the fluctuating mortgage interest income as depicted in the chart below. The mortgage interest income earned on the bond funds is restricted to the program.

Mortgage Interest Income



**Represents 11.7% and 11.5% of Revenues for FY 2015 and FY 2016, respectively.*

Bond Funds for Program Administration

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

The FY 2015-2016 budget draws $1,497,781 and $1,572,968, respectively, from 1979 Single Family MRB Indenture for the cost of program administration for the Single Family Mortgage Finance Program, and $1,387,463 and $1,461,628, respectively, from the 1996 Multifamily MHDB Indenture for the program administration costs of the Multifamily program.

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

Tax-exempt Mortgage Revenue Bonds

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

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

HOC is one of the most active local issuers of mortgage revenue bonds in the country. Since 1979, HOC has issued about $4.5 billion of securities and currently has about $1.0 billion of securities outstanding. HOC has been one of a few local issuers that have remained active since 1986 when the Federal government placed a limit on the volume of private activity bonds issued within a state. There is no federally imposed limit on the amount of essential purpose bonds. However, an annual ceiling of $150 million is imposed by the State for bonds that are issued to fund developments that will be owned by non-profit corporations. The HOC Capital Development Budget relies heavily upon the issuance of

Property Management Activities

Rents and Related Income from Properties

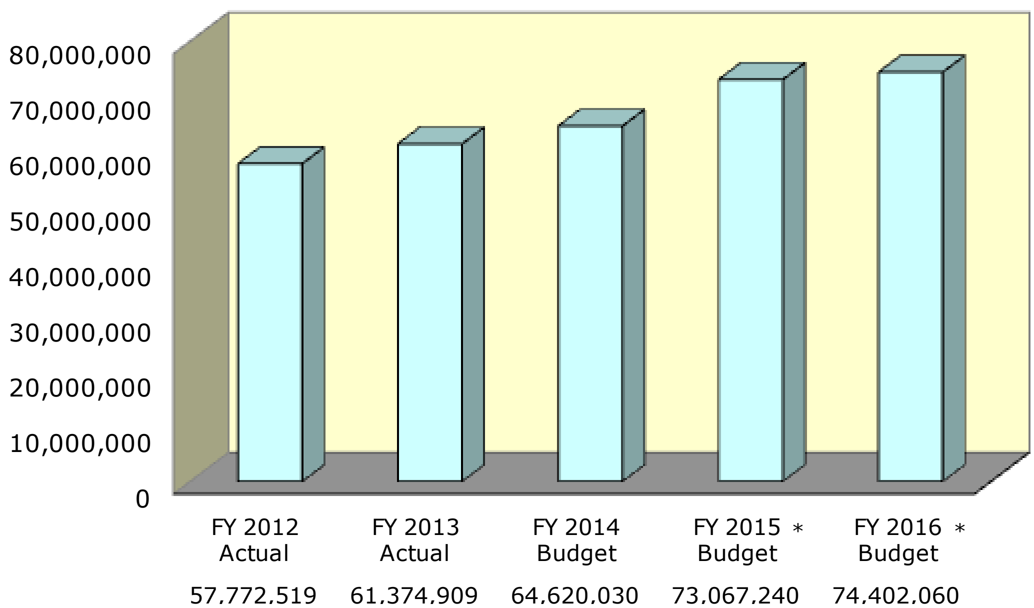
Rental related income from the Public Housing properties are based on the resident's income thus may be affected by economic conditions. Rent assumptions for the Opportunity Housing Program are property specific and are based on a combination of subsidy requirements and market conditions. The Commission 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 2014-2016 budget made the following assumptions for rental rates at Opportunity Housing Properties:

Rent increase upon renewal budgeted at 1%-4%

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

Tenant Income



**Represents 29.6% and 30.0% of Revenues for FY 2015 and FY 2016, respectively.*

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 2015-2016 Capital Improvement Budget for Opportunity Housing properties is funded from the replacement reserves that are set aside each year in the operating budget as well as Opportunity Housing Property Reserves, when necessary.

Management Fees

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

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

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

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

Other Income

Interest Income

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

Opportunity Housing Reserve Fund (OHRF)

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

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

Debt Management

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

Except as noted below, neither the Single Family Mortgage Revenue Bonds nor the Multifamily Housing Revenue Bonds constitute a liability or obligation, either direct or indirect, of Montgomery County, the State of Maryland or any political subdivision thereof. The Multiple Purpose Bonds 2002 Series A, B and C and the 2008 Series A are guaranteed as general obligation of the Commission.

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

The Commission participates in a mortgage insurance risk-sharing agreement with HUD to provide for full mortgage insurance through the Federal Housing Administration of loans for affordable housing. The Commission was approved by HUD as both a Level I and Level II participant. Level I participants assume 50-90% of the risk of loss from mortgage default and Level II participants assume either 25% or 10% of the risk of loss from mortgage default.

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

The Commission has the use of revolving funds from the County in the amount of $17 million; these loans are used for interim financing and are repaid when HOC is reimbursed from the source of the permanent financing for the project. HOC also has a $60 million unsecured line of credit with PNC Bank. These funds are also used for interim financing of development activity, or other purposes if approved by the Commission and the Bank.

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

Legal Debt Limit

HOC is not limited in the amount of debt it can incur. However, each financing plan is reviewed by Moody's to ensure that our A bond rating is maintained. The following table summarizes the total indebtedness of the Agency as of June 30, 2013.

Debt Summary (As of June 30, 2013)

Bonds	Amount Issued	Amount Outstanding
Single Family Fund	$507,239,729	$276,655,000
Multifamily Fund	$0	$336,945,801
Total HOC Bonds	**$507,239,729**	**$613,600,802**
Non-Obligated Multifamily Bonds	$202,712,000	$175,322,195
Total Non-Obligated Bonds	**$202,712,000**	**$175,322,195**
TOTAL BONDS	**$709,951,729**	**$788,922,997**

Property Related	Amount Outstanding
Intra-Commission Mortgages	$193,025,164
Other Mortgages	$42,988,007
Total Mortgages	**$236,013,171**
Notes Payable to County	$57,542,653
County Revolving Funds	$4,358,148
Total Debt to County	**$61,900,801**
Notes Payable to State	**$18,000,974**
TOTAL PROPERTY DEBT	**$315,914,946**

Single Family Mortgage Revenue Bonds (As of June 30, 2013)

Bond Series	Final Maturity	Amount Issued	Amount Outstanding
1998 Series A	7/1/2028	$16,849,295	$0 (1)
2001 Series A	7/1/2032	$19,114,606	$0
2002 Series A	7/1/2019	$13,200,000	$0
2002 Series B	7/1/2033	$1,800,828	$0 (1)
2002 Series C	7/1/2033	$16,890,000	$0
2004 Series A	7/1/2024	$19,645,000	$0
2004 Series B	7/1/2034	$5,355,000	$0
2005 Series A	7/1/2025	$18,500,000	$0
2005 Series B	7/1/2035	$6,500,000	$0
2005 Series C	7/1/2025	$11,600,000	$5,805,000
2005 Series D	7/1/2036	$13,400,000	$4,070,000
2006 Series A	7/1/2026	$18,705,000	$9,890,000
2006 Series B	7/1/2037	$11,295,000	$5,380,000
2007 Series A	7/1/2021	$15,875,000	$8,545,000
2007 Series B	7/1/2038	$19,125,000	$12,960,000
2007 Series C	7/1/2015	$1,000,000	$835,000
2007 Series D	7/1/2038	$20,000,000	$12,300,000
2007 Series E	1/1/2038	$13,000,000	$8,315,000
2007 Series F	7/1/2038	$10,000,000	$10,000,000
2008 Series A	7/1/2018	$13,205,000	$5,215,000
2008 Series B	7/1/2039	$3,900,000	$1,760,000
2008 Series C	7/1/2039	$8,450,000	$8,450,000
2008 Series D	7/1/2039	$17,200,000	$17,200,000
2009 Series A	7/1/2029	$20,000,000	$16,545,000
2013 Series A	7/1/2031	$38,645,000	$38,645,000
2013 Series B	7/1/2043	$14,825,000	$14,825,000
2013 Series C	7/1/2014	$3,190,000	$3,190,000
Total Single Family Revenue Bonds		**$371,269,729**	**$183,930,000**
SINGLE FAMILY HOUSING REVENUE BONDS (As of June 30, 2013)			
NIBP 2009 Series A	7/1/2026	$10,000,000	$8,860,000
NIBP 2009 Series B	7/1/2039	$15,000,000	$14,780,000
NIBP 2009 Series C	7/1/2041	$40,000,000	$0
NIBP 2009 Series C-1	7/1/2041	$9,000,000	$8,880,000
NIBP 2009 Series C-2	7/1/2041	$16,170,000	$15,930,000
NIBP 2009 Series C-3	7/1/2029	$2,450,000	$2,420,000
NIBP 2009 Series C-4	7/1/2041	$9,770,000	$9,770,000
NIBP 2009 Series C-5	7/1/2031	$2,610,000	$2,610,000
NIBP 2010 Series A	7/1/2019	$6,000,000	$5,340,000
NIBP 2011 Series A	7/1/2027	$12,425,000	$11,590,000
NIBP 2012 Series A	7/1/2043	$12,545,000	$12,545,000
Total HOC Owned Bonds		**$135,970,000**	**$92,725,000**
Total Bonds		**$507,239,729**	**$276,655,000**

(1) Includes Accreted Value as of 6/17/2013, and Redeemed at 6/17/2013.

Multifamily Housing Bonds (As of June 30, 2013)

Bond Series	Current Property Name	Owner	Final Maturity	Amount Issued	Amount Outstanding
Multifamily Program Fund:					
1982 Open Indenture					
1992 Series C	The Ambassador	Private	7/1/2023	$4,425,000	$2,215,000
SUBTOTAL				**$4,425,000**	**$2,215,000**
1984 Open Indenture					
1984 Series A			7/1/2026	$5,521,992	$141,001 (1)
1995 Series A	MPDU I	HOC	7/1/2026	$23,910,000	$2,445,000
SUBTOTAL				**$29,431,992**	**$2,586,001**
1996 Open Indenture					
2000 Series B	MHLP X	HOC	7/1/2042	$28,600,000	$7,170,000
	Stewartown	HOC			
	Georgian Court	HOC			
	Burnt Mill Crossing II	Private			
	University Manor	Private			
2003 Series B	Gramax	Private	7/1/2045	$17,840,000	$0
2004 Series A	Charter House	Private	7/1/2036	$13,700,000	$12,400,000
2004 Series B	Rockville Housing	Non-Profit	7/1/2045	$4,085,000	$3,775,000
2004 Series C	Chevy Chase	HOC	7/1/2036	$19,460,000	$16,830,000
2004 Series C	Barclay	HOC			
2004 Series D	Spring Garden	HOC	7/1/2036	$14,110,000	$12,230,000
2004 Series D	Barclay	HOC			
2005 Series B	The Metropolitan Tax Credit	HOC	7/1/2034	$5,440,000	$5,120,000
2005 Series C	The Metropolitan HOC	HOC	7/1/2037	$28,630,000	$27,250,000
2007 Series A	Forest Oak	HOC	7/1/2037	$19,055,000	$17,300,000
2007 Series B-1	Alexander House	HOC	7/1/2037	$22,085,000	$21,020,000
2007 Series C-1	Tx Cr 9, Tx Cr Pond Ridge	Non-Profit/HOC	7/1/2028	$5,110,000	$4,640,000
2007 Series C-2	Silver Spring Hs.	Non-Profit/HOC	7/1/2027	$2,190,000	$1,995,000
2010 Series A	Magruders	HOC	7/1/2041	$12,375,000	$12,130,000
2011 Series A	MetroPointe	HOC	1/1/2049	$33,585,000	$33,220,000
2011 Series B	MetroPointe	HOC	1/1/2049	$3,020,000	$2,990,000
2012 Series A	Ring House & Scattered Sites	Private/HOC	7/1/2043	$24,935,000	$24,490,000
2012 Series B	TPM, Dring's Reach & Oaks	HOC/private/HOC	7/1/2033	$18,190,000	$17,935,000
2012 Series C	Shady Grove, Manchester, Willows, Tax Cr 10, Stewartown, Georgian Crt	HOC	7/1/2031	$24,230,000	$23,735,000
2012 Series D	Pooks Hill, Diamond Sq., Montgomery Arms, The Glen	HOC	7/1/2043	$34,975,000	$34,975,000
SUBTOTAL				**$331,615,000**	**$279,205,000**

(1) Includes Accreted Value

Bond Series	Current Property Name	Owner	Final Maturity	Amount Issued	Amount Outstanding
Housing Development Bonds (Guaranteed by Montgomery County)					
1998 Issue A	Landings Edge	Non-Profit	7/1/2028	$12,900,000	$9,100,000
	Pook's Hill	HOC			
SUBTOTAL				**$12,900,000**	**$9,100,000**
Multiple Purpose Indenture					
2002 Series A	Strathmore Court	HOC	11/1/2033	$22,325,000	$20,105,000
2008 Series A	Greenhills	HOC	5/1/2039	$13,355,000	$4,530,000
SUBTOTAL				**$35,680,000**	**$24,635,000**
Other Issues					
SUBTOTAL				**$0**	**$0**
Public Housing Authority Bonds					
SUBTOTAL				**$0**	**$0**
Multifamily Housing Bonds Indenture					
2009 Series A-1	Galaxy		7/1/2051	$38,450,000	$0
2009 Series A-2	Argent		1/1/2044	$8,040,000	$8,040,000
2010 Series A	Argent		1/1/2033	$4,860,000	$4,720,000
SUBTOTAL				**$51,350,000**	**$12,760,000**
PNC Line Of Credit					
PNC Line		Taxable	11/1/1932	$6,444,800	$6,444,800
SUBTOTAL				**$6,444,800**	**$6,444,800**

Multifamily Housing Bonds (As of June 30, 2013)

Bond Series	Current Property Name	Owner	Final Maturity	Amount Issued	Amount Outstanding
Non-Obligation Bond Issues:					
Multifamily Housing Revenue Bonds					
2010 Issue A	Canterbury	Private	5/1/2026	$31,680,000	$31,680,000
2010 Issue B	Oak Mill II	Private	5/1/2026	$9,600,000	$9,600,000
2003 Issue A	Randolph Manor	Private	8/1/2045	$5,500,000	$5,216,008
2004 Issue A	Olney Manor	Private	1/1/2046	$7,000,000	$6,662,869
2004 Issue B	Blair Park	Private	10/15/2036	$2,700,000	$2,008,646
2004 Issue C	Cloppers Mill	Private	7/1/2046	$7,800,000	$7,455,876
2006 Issue A	Covenant Village	Private	12/1/2048	$6,418,000	$6,234,796
2008 Issue A	Victory Forest	Private	9/1/2045	$6,600,000	$6,600,000
2013 Issue A	Olde Towne Gaithersburg Apts (Y-Site)	Private			
Multifamily Housing Revenue Refunding Bonds					
2001 Issue A	Draper Lane	Private	3/1/2040	$35,000,000	$35,000,000
2001 Issue B	Draper Lane	Private	3/1/2040	$11,000,000	$11,000,000
2001 Issue C	Draper Lane	Private	3/1/2040	$6,000,000	$6,000,000
Variable Housing Revenue Bonds					
1985 Issue II	Falkland Apartments	Private	12/1/2030	$24,695,000	$0
2005 Issue I	Oakfield	Private	10/15/2039	$38,000,000	$38,000,000
1998 Issue I	Byron House	Private	9/1/2023	$2,319,000	$1,464,000
2012 Issue A	Victory Court	Private	10/1/2024	$8,400,000	$8,400,000
SUBTOTAL				**$202,712,000**	**$175,322,195**

Property Related Debt (As of June 30, 2013)

Property Name	Purpose	Amount Outstanding
Intra-Commission mortgages made from bond issues		
Alexander House	Mortgage	$20,826,321
Chevy Chase Lake	Mortgage	$7,230,742
Diamond Square	Mortgage	$1,460,197
Fairfax Court	Mortgage	$695,525
Magruder's Discovery	Mortgage	$11,503,290
Montgomery Arms	Mortgage	$8,717,041
MPDUs (59)	Mortgage	$2,379,839
MPDUs (64)	Mortgage	$1,937,050
Pomander Court	Mortgage	$480,105
Pooks Hill Highrise	Mortgage	$18,048,963
Pooks Hill Midrise	Mortgage	$2,811,065
Strathmore Court	Mortgage	$15,798,857
The Glen	Mortgage	$5,719,776
The Metropolitan	Mortgage	$26,627,083
The Oaks at Four Corners	Mortgage	$2,461,658
Timberlawn Crescent	Mortgage	$4,824,822
Barclay Development Corporation	Mortgage	$9,235,043
Wheaton Metro Development Corporation	Mortgage	$31,923,667
Greenhills	Mortgage	$3,921,132
Paddington Square	Mortgage	$5,313,214
Ambassador	Mortgage	$2,045,514
Scattered Site One Dev Corp	Mortgage	$9,064,261
Subtotal		**$193,025,164**
Other Mortgages		
Paddington Square	Mortgage	$6,409,539
MHLP II	Mortgage	$13,968
MHLP III	Mortgage	$42,891
Glenmont Crossing	Mortgage	$2,152,055
Glenmont Crossing	Mortgage	$9,709,397
Glenmont Westerly	Mortgage	$7,453,390
Scattered Site Two Dev Corp	Mortgage	$4,900,000
Subtotal		**$30,681,240**

Property Name	Purpose	Amount Outstanding
Notes Payable to Montgomery County Government		
527 Dale Drive	Construction	$1,742,309
Southbridge	Acquisition & Rehab	$7,041,901
Alexander House	Acquisition	$1,000,000
Ambassador	Acquisition	$2,000,000
CDBG	Acquisition	$604,275
Chelsea Towers	Acquisition	$1,218,104
Chelsea Towers	Home Funds	$483,000
Chevy Chase Lake	Acquisition	$1,250,000
County revolving CCAP	Acquisition	$2,061,955
Diamond Sq	Rehab	$2,746,344
Glenmont Crossing	Rehab	$2,850,000
HOC/HOP	Acquisition/Rehab	$169,387
Jubilee Housing	Predevelopment	$754,466
King Farm Village Center	Acquisition & Rehab	$2,219,816
Mchome	Acquisition & Rehab	$2,005,646
Montgomery Arms	Acquisition & Rehab	$1,699,307
MPDU 2004	Acquisition & Rehab	$678,768
CDBG McAlpine Road	Rehab	$101,168
NCI I	Acquisition & Rehab	$4,039,752
NSP I	Acquisition & Rehab	$1,993,071
Oaks	Acquisition & Rehab	$1,953,403
Paddington Square	Acquisition	$12,144,902
Pooks Hill Midrise	Acquisition	$349,615
State Rental Combined	Acquisition	$60,000
State Rental VII	Acquisition	$1,668,050
The Glen	Acquisition	$722,693
TPM		$1,000,000
Wheaton Metro Dev Corp.		$2,984,721
Subtotal		**$57,542,653**

Property Related Debt (As of June 30, 2013) – (cont.)

Property Name	Purpose	Amount Outstanding
(cont.)		
Other Loans/OHRF		
Montgomery Arms		$1,340,037
Wheaton Metro Dev Corp.	Wheaton Metro Dev Corp.	$1,379,283
Paddington Square	Rehab	$1,137,103
Paddington Square	Rehab	$1,173,038
Paint Branch	OHRF	$45,158
Glenmont Crossing	OHRF	$1,826,000
Subtotal OHRF Loans		**$6,900,619**
Other Loans		
Barclay	Rehab	$2,456,565
Glenmont Crossing	Rehab/purchase	$197,400
Glenmont Westerly	Rehab/purchase	$2,752,183
Subtotal Other Loans		**$5,406,148**
Subtotal		**$12,306,767**

Property Name	Purpose	Amount Outstanding
Loans from Montgomery County Revolving Funds		
Alexander House	Interim Financing	$471,666
Ambassador	Interim Financing	$2,284,066
Brooks Farm	Interim Financing	$152,723
Holiday Park Townhouse	Interim Financing	$1,117,193
Pooks Hill Midrise	Interim Financing	$332,500
Subtotal		**$4,358,148**
Notes Payable to State of Maryland		
Diamond Square	RHPP	$2,000,000
The Glen	RHPP	$1,211,706
State Rental Consolidated	PHRP	$8,795,567
State Rental VII	PHRP	$4,712,863
CDBG McAlpine Road	Rehab	$107,493
Montgomery Arms	RHPP	$120,136
Dale Drive	RHPP	$600,000
Ambassador		$453,209
Subtotal		**$18,000,974**
TOTAL PROPERTY RELATED DEBT		**$315,914,946**

Debt Summary By Fund

Property Name	Total Debt Service FY 2012 Actual	FY 2013 Actual	FY 2014 Amended	FY 2015 Adopted Interest Payments	Mortgage Insurance	Principal Payments	Total Debt Service	FY 2016 Adopted Budget Interest Payments	Mortgage Insurance	Principal Payments	Total Debt Service
General Fund											
Facilities	$79,524	$68,385	$68,390	$370	$0	$16,510	$16,880	$0	$0	$0	$0
IT	$335,309	$262,903	$262,910	$3,610	$0	$160,420	$164,030	$0	$0	$0	$0
Smith Village	$21,817	$21,817	$21,820	$21,820	$0	$0	$21,820	$21,820	$0	$0	$21,820
Total General Fund	**$436,650**	**$353,105**	**$353,120**	**$25,800**	**$0**	**$176,930**	**$202,730**	**$21,820**	**$0**	**$0**	**$21,820**
Multifamily Bond Fund	**$18,116,344**	**$15,472,958**	**$19,220,440**	**$17,869,650**	**$0**	**$0**	**$17,869,650**	**$17,603,250**	**$0**	**$0**	**$17,603,250**
Single Family Bond Fund	**$10,834,540**	**$10,545,496**	**$10,948,400**	**$10,745,910**	**$8,640**	**$0**	**$10,754,550**	**$10,763,900**	**$8,640**	**$0**	**$10,772,540**
Opportunity Housing Fund											
Alexander House	$1,812,413	$1,810,523	$1,808,520	$1,200,820	$100,900	$504,670	$1,806,390	$1,174,130	$98,640	$531,360	$1,804,130
Ambassador	$385,854	$384,054	$384,060	$145,430	$9,600	$229,020	$384,050	$131,260	$8,640	$243,290	$383,190
Barclay	$685,950	$684,863	$682,540	$395,740	$44,360	$242,440	$682,540	$384,720	$43,120	$253,450	$681,290
Brookside Glen (The Glen)	$505,461	$504,636	$503,770	$274,860	$27,220	$200,790	$502,870	$265,590	$26,270	$210,060	$501,920
CDBG Units	$0	$929	$920	$930	$0	$0	$930	$930	$0	$0	$930
Chelsea Towers	$71,725	$69,769	$67,730	$22,630	$0	$43,000	$65,630	$20,480	$0	$43,000	$63,480
Chevy Chase Lake	$537,077	$536,232	$535,330	$309,850	$34,740	$189,820	$534,410	$301,230	$33,760	$198,440	$533,430
Diamond Square	$119,607	$119,396	$119,180	$64,810	$6,950	$47,190	$118,950	$62,570	$6,710	$49,430	$118,710
Fairfax Court	$56,583	$56,583	$56,580	$44,080	$0	$12,500	$56,580	$43,240	$0	$13,340	$56,580
Glenmont Crossing Developement Corp.	$0	$356,579	$828,910	$626,430	$0	$202,490	$828,920	$616,920	$0	$212,000	$828,920
Glenmont Westerly Dev Corp.	$0	$241,628	$538,840	$412,440	$0	$126,370	$538,810	$406,210	$0	$132,600	$538,810
Greenhills	$318,562	$318,562	$619,440	$248,540	$0	$70,020	$318,560	$243,860	$0	$74,700	$318,560
Holiday Park	$131,244	$101,563	$101,560	$0	$0	$101,560	$101,560	$0	$0	$101,560	$101,560
Ken Gar	$0	$0	$0	$35,250	$3,520	$10,390	$49,160	$46,390	$4,630	$14,470	$65,490
Magruder's Discovery	$869,109	$942,102	$941,360	$721,740	$56,320	$162,510	$940,570	$711,030	$55,480	$173,230	$939,740
McHome	$42,717	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
MetroPointe	$1,962,962	$1,961,208	$1,959,390	$1,411,880	$156,710	$388,890	$1,957,480	$1,394,010	$154,720	$406,760	$1,955,490
Metropolitan, The	$2,325,244	$2,322,938	$2,320,480	$1,649,660	$129,160	$539,040	$2,317,860	$1,614,280	$126,370	$574,430	$2,315,080
Montgomery Arms	$764,122	$764,122	$694,040	$392,070	$40,380	$259,030	$691,480	$379,840	$40,380	$271,270	$691,490
MHLP I	$52,138	$50,420	$0	$0	$0	$0	$0	$0	$0	$0	$0
MHLP II	$54,328	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
MHLP III	$46,958	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
MHLP IV	$72,825	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
MHLP V	$76,405	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
MHLP VI	$52,103	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
MHLP VII	$0	$0	$40,490	$31,470	$0	$9,000	$40,470	$31,470	$0	$9,000	$40,470

Debt Summary By Fund (cont.)

Property Name	Total Debt Service FY 2012 Actual	FY 2013 Actual	FY 2014 Amended	FY 2015 Adopted Budget Interest Payments	Mortgage Insurance	Principal Payments	Total Debt Service	FY 2016 Adopted Budget Interest Payments	Mortgage Insurance	Principal Payments	Total Debt Service
(cont.)											
MPDU 2004	$29,777	$29,777	$0	$0	$0	$0	$0	$0	$0	$0	$0
MPDU 2007	$58,761	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
MPDU I (64)	$231,871	$231,366	$230,830	$104,670	$8,820	$116,770	$230,260	$97,590	$8,220	$123,850	$229,660
TPM - MPDU II (59)	$233,464	$233,003	$232,510	$87,590	$8,390	$78,080	$174,060	$0	$0	$0	$0
The Oaks @ Four Corners	$297,661	$287,028	$285,800	$143,610	$11,340	$130,850	$285,800	$135,120	$10,660	$139,330	$285,110
Paddington Square	$883,309	$695,005	$1,373,770	$955,700	$0	$250,420	$1,206,120	$955,700	$0	$250,420	$1,206,120
Paint Branch	$37,452	$37,633	$30,110	$0	$0	$15,050	$15,050	$0	$0	$0	$0
Parkway Woods	$0	$0	$0	$39,870	$3,980	$11,750	$55,600	$52,460	$5,240	$16,360	$74,060
TPM - Pomander Court	$47,099	$47,006	$46,910	$58,390	$5,390	$36,330	$100,110	$146,630	$14,640	$44,270	$205,540
Pooks Hill Mid-Rise	$364,608	$364,608	$364,610	$132,660	$0	$231,950	$364,610	$124,930	$0	$239,680	$364,610
Pooks Hill High-Rise	$1,115,563	$990,300	$1,036,740	$564,490	$87,360	$383,000	$1,034,850	$551,950	$85,410	$395,540	$1,032,900
Sandy Spring Meadow	$0	$0	$0	$89,140	$8,900	$26,270	$124,310	$117,290	$11,710	$36,590	$165,590
Scattered Sites One	$0	$474,598	$568,760	$348,210	$44,000	$175,680	$567,890	$341,040	$43,110	$182,750	$566,900
Scattered Sites Two	$0	$0	$239,360	$181,280	$0	$117,420	$298,700	$177,540	$0	$121,250	$298,790
Seneca Ridge	$0	$0	$0	$176,400	$17,620	$51,880	$245,900	$232,100	$23,180	$72,400	$327,680
Sligo Hills/ MPDU III	$234,902	$117,355	$0	$0	$0	$0	$0	$0	$0	$0	$0
Strathmore Court	$1,212,475	$1,208,995	$1,206,470	$780,900	$0	$422,870	$1,203,770	$759,930	$0	$440,990	$1,200,920
Tanglewood	$7,500	$3,750	$0	$0	$0	$0	$0	$0	$0	$0	$0
TPM-Timberlawn	$473,319	$472,384	$471,400	$381,710	$35,740	$256,690	$674,140	$743,200	$74,230	$224,390	$1,041,820
Towne Centre Place	$0	$0	$0	$59,770	$5,970	$17,610	$83,350	$78,640	$7,850	$24,530	$111,020
VPC One	$0	$0	$0	$942,510	$0	$162,900	$1,105,410	$931,600	$0	$173,810	$1,105,410
VPC Two	$0	$0	$0	$652,270	$0	$138,520	$790,790	$645,080	$0	$145,710	$790,790
Washington Square	$0	$0	$0	$114,660	$11,450	$33,790	$159,900	$150,870	$15,070	$47,060	$213,000
Westwood Tower	$1,793,366	$1,804,669	$1,815,710	$0	$0	$1,910,470	$1,910,470	$0	$0	$1,967,790	$1,967,790
Total Opportunity Housing Fund	**$17,964,514**	**$18,223,584**	**$20,106,120**	**$13,802,460**	**$858,820**	**$7,907,030**	**$22,568,310**	**$14,069,830**	**$898,040**	**$8,159,110**	**$23,126,980**
Public Fund											
Capital Fund Grant	$0	$0	$314,090	$314,260	$0	$0	$314,260	$0	$0	$0	$0
Total Public Fund	**$0**	**$0**	**$314,090**	**$314,260**	**$0**	**$0**	**$314,260**	**$0**	**$0**	**$0**	**$0**
TOTAL AGENCY	**$47,352,048**	**$44,595,143**	**$50,942,170**	**$42,758,080**	**$867,460**	**$8,083,960**	**$51,709,500**	**$42,458,800**	**$906,680**	**$8,159,110**	**$51,524,590**

Estimated Agency Funds (As of June 30, 2014)

Shown below is the agency's projected income statement and impact on fund balance for all funds for FY 2014 based on the accrual basis. The agency's budgets are adopted under the modified cash basis. This chart is prepared to help in converting the cash based budgets to the agency's accrual based financial statements.

	General Fund	Opportunity Housing Fund	Public Fund	Multifamily Bond Fund	Single Family Bond Fund	Eliminations	Total
Beginning Fund Balance: 6/30/13	**$21,034,282**	**$50,413,220**	**$74,780,992**	**$25,981,491**	**$29,879,168**	**($10,376,430)**	**$191,712,723**
Revenue:							
Housing Assistance Payments (HAP)	$0	$0	$84,760,830	$0	$0	$0	**$84,760,830**
HAP administrative fees	$0	$0	$5,352,487	$0	$0	$0	**$5,352,487**
Other grants	$0	$0	$10,152,883	$0	$0	$0	**$10,152,883**
State and County grants	$0	$0	$10,158,784	$0	$0	$0	**$10,158,784**
Investment income	$0	$0	$0	$5,314,234	$1,960,063	$0	**$7,274,297**
Unrealized Gains (Losses) on Investment	$0	$0	$0	($5,190,981)	($3,060,629)	$0	**($8,251,610)**
Interest on mortgage & construction loans receivable	$0	$0	$0	$16,424,630	$10,832,193	($10,379,167)	**$16,877,656**
Dwelling Rental	$720,983	$55,835,752	$5,653,879	$0	$0	$0	**$62,210,614**
Management fees and other income	$13,392,435	$13,486,374	$1,348,321	$102,410	$0	($9,824,973)	**$18,504,567**
Total Operating Income	**$14,113,418**	**$69,322,126**	**$117,427,184**	**$16,650,293**	**$9,731,627**	**($20,204,140)**	**$207,040,508**
Expenses:							
Housing Assistance Payments	$0	$0	$86,882,476	$0	$0	$0	**$86,882,476**
Administration	$10,210,090	$9,207,253	$16,321,845	$2,212,149	$2,338,822	($6,421,102)	**$33,869,057**
Maintenance	$1,058,134	$9,952,018	$4,800,634	$0	$0	$0	**$15,810,786**
Depreciation and amortization	$941,767	$10,904,847	$4,916,205	$711,142	$1,954,389	$0	**$19,428,350**
Utilities	$249,606	$3,446,785	$1,646,185	$0	$0	$0	**$5,342,576**
Fringe benefits	$3,877,050	$841,402	$4,788,381	$220,717	$359,423	$0	**$10,086,973**
Interest Expense	$0	$13,671,410	$0	$15,472,957	$10,541,172	($10,379,165)	**$29,306,374**
Other	$750,762	$8,135,672	$2,247,595	$379,744	$24,509	($3,403,873)	**$8,134,409**
Bad Debt Expense	$0	$295,219	$82,555	$0	$689,381	$0	**$1,067,155**
Total Operating Expenses	**$17,087,409**	**$56,454,606**	**$121,685,876**	**$18,996,709**	**$15,907,696**	**($20,204,140)**	**$209,928,156**
Operating Income (loss)	**($2,973,991)**	**$12,867,520**	**($4,258,692)**	**($2,346,416)**	**($6,176,069)**	**$0**	**($2,887,648)**
Non-operating revenues (expense):							
Other Grants	$0	$42,325	$0	$0	$0	$0	**$42,325**
State and County grants	$0	$241,004	$0	$0	$0	$0	**$241,004**
Investment income	$456,753	($6,108)	$1,447	$0	$0	$0	**$452,092**
Interest on mortgage & construction loans receivable	$123,256	$79,865	$0	$0	$0	$0	**$203,121**
Interest Expense	($96,343)	($11,668)	$0	$0	$0	$0	**($108,011)**
Total Non-operating Income (Loss)	**$483,666**	**$345,418**	**$1,447**	**$0**	**$0**	**$0**	**$830,531**
Capital Contributions	**$0**	**$0**	**$1,049,107**	**$0**	**$0**	**$0**	**1,049,107**
Ending Fund Balance: 6/30/14 est.	**$18,543,957**	**$63,626,158**	**$71,572,854**	**$23,635,075**	**$23,703,099**	**($10,376,430)**	**$190,704,713**
Estimated Change in Fund Balance	**($2,490,325)**	**$13,212,938**	**($3,208,138)**	**($2,346,416)**	**($6,176,069)**	**$0**	**($1,008,010)**
Budgeted Fund Balance: 6/30/15 est.	**$17,470,897**	**$65,131,408**	**$71,572,854**	**$27,219,072**	**$23,999,844**	**($10,376,430)**	**$195,017,645**
Budgeted Change in Fund Balance for FY 2015	**($1,073,060)**	**$1,505,250**	**$0**	**$3,583,997**	**$296,745**	**$0**	**$4,312,932**
Budgeted Fund Balance: 6/30/16 est.	**$17,335,397**	**$65,974,788**	**$71,572,854**	**$30,814,046**	**$23,999,844**	**($10,376,430)**	**$199,320,499**
Budgeted Change in Fund Balance for FY 2016	**($135,500)**	**$843,380**	**$0**	**$3,594,974**	**$0**	**$0**	**$4,302,854**

Multifamily Bond Funds: The budgeted change is the result of a three-year rolling average applied to both interest income and interest expense.

Housing Opportunities Commission
OF MONTGOMERY COUNTY

Glossary

Glossary

List of Commonly Used Terms

9% Tax Credit
Credits against income tax granted competitively by allocation from state housing agencies in return for the production or preservation of housing affordable to specified income levels over 10 years; one of two low income housing tax credits (LIHTC).

501(c)(3)

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

Accreted Value

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

Accrual Basis

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

Acquisition Without Rehabilitation (AWOR)

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

Acronym

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

Administrative Fees

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

Administrative Plan (HCV Program)

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

Admissions & Occupancy Policy (A & O Policy)

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

Admissions and Continued Occupancy Policy (ACOP)

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

Agency

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

American Dream Downpayment Initiative (ADDI)

ADDI is a special closing cost and downpayment assistance effort funded with HUD HOME funds provided to the County.

Americans with Disabilities Act (ADA)

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

Annual Growth Policy

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

Arbitrage

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

Arbitrage Rebate

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

Area Median Income

Washington-Arlington-Alexandria, DC-VA-MD-WV area median income as defined by the Department of Housing and Urban Development (HUD). The 2012 area median income is $107,500 for a family of four.

Appropriation

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

Asset

Any possession that has value in an exchange.

Balanced Budget

A budget in which revenues equal expenses.

Basis Point

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

Bond

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

Bond Cap

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

Bond Proceeds

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

Bond Purchase Agreement

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

Bond Rating

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

Budget

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

CAFR

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

Capital Budget

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

Capital Expenses

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

Capital Fund Program

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

Capital Improvements Program (CIP)

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

Capital Plan

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

Carryover

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

Cash Flow Analysis

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

Closed Indenture

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

Closing Cost Assistance Program

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

Commission

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

Commitment Fees

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

Community Development Block Grant Program (CDBG)

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

Community Partners

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

Compensation

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

Congregate Housing

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

Contingency

A budgetary reserve set aside for emergencies or unforeseen expenditures not otherwise budgeted.

Continuing Disclosure Agreement

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

Conventional Mortgage

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

Cost of Issuance (COI)

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

Cost of Living Adjustment (COLA)

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

Coupon

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

Coupon Rate

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

Credit Enhancement

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

Davis-Bacon

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

Default (Bond)

Breach of some covenant, promise, or duty imposed by the Bond. The most serious default occurs when the Issuer fails to pay principal or interest (or both) when due. Other "technical" defaults result when specifically defined events of default occur, such as failure to meet covenants. If the Issuer defaults in the payment of principal, interest, or both, or if a technical default is not cured within a specified period of time, the bondholders or trustee may exercise legally available rights and remedies for enforcement.

Department of Business and Economic Development (DBED)

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

Debt Service

The annual payment of principal and interest on bonded indebtedness.

Deficit

An excess of expenditure over revenue.

Department of Housing & Community Affairs (DHCA)

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

Department of Housing and Community Development (DHCD)

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

Department of Housing and Urban Development (HUD)

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

Designated Plan

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

Designated Plan Vouchers

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

Development Corporation

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

Development Fees

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

Draw Down

A mechanism in the single family program which preserves volume cap and helps to reduce bond debt by accelerating the pay off of higher cost bonds. The draw down is a separate indenture (agreement) with Merrill Lynch (ML) which allows HOC to borrow directly from ML to pay off bondholders instead of using prepayments from mortgages to do so.

Due Diligence

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

Economic Occupancy

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

Electronic Funds Transfer

An electronic form of fund disbursement or payment.

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

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

Equal Employment Opportunity (EEO)

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

Equal Housing Opportunity (EHO)

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

Equity Capital

Money received in exchange for ownership interest of a property.

Existing Property Acquisition

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

Expenditure

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

Face Amount

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

Fair Housing Act

Title VIII of the Civil Rights Act of 1968 (Fair Housing Act) prohibits discrimination in the sale, rental, and financing of dwellings, and in other housing-related transactions, based on race, color, national origin, religion, sex, familial status, and handicap (disability).

Fair Market Rent (FMR)

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

Family Self-Sufficiency (FSS)

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

Family Self-Sufficiency Mentoring Project

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

Family Unification Program (FUP)

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

Fannie Mae

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

Federal Housing Administration (FHA)

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

FHA Mortgage

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

FHA Risk Sharing Program

A co-insurance partnership between the Department of Housing and Urban Development (HUD) and Housing Finance Agencies (HFA) provided for under Section 542 of the Housing and Community Development Act of 1992 whereby a form of credit enhancement is provided for multifamily housing developments. The program splits the risk on multifamily mortgages between HUD and participating HFAs and enables the development of affordable housing throughout the country. HFAs are approved on two levels: Level I, wherein HFAs may use their own underwriting standards and loan terms and may take 50-90% of the risk or Level II, wherein they may use underwriting standards and loan terms approved by HUD.

Fiscal Year

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

Flexible Subsidy Program (Section 201)

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

Freddie Mac

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

Free Cash Flow

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

Full-time Equivalent (FTE)

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

Fund

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

Fund Balance

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

Governmental Accounting Standards Board (GASB)

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

General Obligation (GO) Bonds

A bond secured by the pledge of the Issuer's full faith, credit, and, usually, taxing power. The taxing power may be an unlimited ad valorem tax or a limited tax, usually on real estate and personal property.

General Partner

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

Generally Accepted Accounting Principles (GAAP)

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

Geographical Information Systems (GIS)

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

GFOA

Government Finance Officers Association.

GNMA

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

Good Neighbor Policy

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

Gross Rent Potential

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

Grant

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

Guaranteed Investment Contract (GIC)

A contract between two parties which guarantees a specific rate of return on the invested capital over a specific period of time. HOC uses GICs to invest bond proceeds in the single family program for a higher rate of return than money markets, for example, but also allows funds to be withdrawn weekly to use for purchasing mortgages.

HCV Program Utilization

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

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

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

Heating, Ventilation and Air Conditioning (HVAC)

An acronym common in facilities and property management projects.

HO&C

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

HOC/HOP

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

Homeownership Assistance Loan Fund (HALF)

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

HOME

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

Housing Assistance Payments (HAP)

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

Housing Choice Voucher (HCV) Program

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

Housing Finance Agency (HFA)

A state agency which offers a limited amount of below-market-rate home financing for low-and moderate-income households.

Housing Resource Service (HRS)

HOC's information center provides enhanced customer service and disseminates program and market information to citizens of Montgomery County.

Housing Initiative Fund (HIF)

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

Housing Initiative Program (HIP)

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

Housing Opportunities for Persons With HIV/ AIDS (HOPWA)

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

Housing Quality Standards (HQS)

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

Indenture

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

Indirect Cost

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

Internal Rate of Return

The rate of return of an uneven cash flow.

Jesup Blair House

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

Letter of Credit

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

Leverage

Using existing resources in exchange for a greater benefit.

Limited Partnership

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

Low-Income Tax Credit

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

Low Income Public Housing (LIPH—see Public Housing)

Maturity Date

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

McHOME Program

A locally developed program in which MPDUs are purchased with a combination of HOC and County funds and rented to eligible participants.

McKinney-Vento Homeless Assistance Act

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

Minority/Female/Disabled (MFD)

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

Mission Statement

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

Moderately Priced Dwelling Unit (MPDU) Law

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

Modified Accrual Basis

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

Mortgage Purchase Program (MPP)

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

Mortgage-backed Securities (MBS)

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

Multifamily Mortgage Revenue Bonds

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

National Association of Housing and Redevelopment Officials (NAHRO)

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

Net Operating Income (NOI)

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

Non-Elderly Disabled Housing

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

Open Indenture (also known as Parity Indenture)

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

Operating Budget

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

Operating Expenses

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

Opportunity Housing

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

Opportunity Housing Property Reserves

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

Opportunity Housing Reserve Fund (OHRF)

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

Opt-Out

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

Opt-Out Vouchers

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

Par Value

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

Paradigm

A philosophical or theoretical framework of any kind.

Parity Indenture

See Open Indenture.

Partnership Rental Housing Program (PRHP)

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

Pay Grade

Salary level or range for each personnel classification.

Payment in Lieu of Taxes (PILOT)

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

Performance Measures

Quantified indication of results obtained from budgeted activities.

Personal Living Quarters (PLQ)

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

Personnel Complement

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

Planning Board

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

Pool Insurance

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

Pre-Ullman

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

Present Value

The value today of a sum at a future date.

Price (Bond)

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

Principal

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

Proforma

A comprehensive financial analysis of a project.

Program Budget

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

Program Objective

Intended results or outcomes.

Project Based Vouchers (PBV)

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

Property Assessment Tool (PAT)

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

Public Housing

A federally funded HUD program established to provide decent and safe rental housing for eligible low-income families, the elderly, and persons with disabilities. Eligible households pay 30% of their income for rent. The homeownership component of this program allows residents to accumulate a down payment and purchase their units. The Federal Government funds the acquisition or development of the units and provides an annual operating subsidy.

Public Housing Assessment Tool (PHAS)

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

Public Housing Homeownership Reserves

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

Public Housing Management Assessment Program (PHMAP)

A national set of performance indicators for Public Housing agencies.

Quasi

Having some resemblance, usually by possession of certain attributes.

Rating Agency

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

REAC

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

Rebate

See Arbitrage rebate.

Redemption

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

Redemption Provision (Bond)

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

Refunding

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

Request for Proposal (RFP)

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

Resident Advisory Board (RAB)

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

Rental Allowance Program (RAP)

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

Rental Housing Production Program (RHPP)

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

Rental Housing Works (RHW)

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

Reserve

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

Revenue Bond

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

Salary Lapse

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

Salary Schedule

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

Section 202

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

Section 221(d)(3)

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

Section 236

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

Section 3

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

Section 5(h) Program

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

Section 504

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

Section Eight Management Assessment Program (SEMAP)

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

Sectional Map Amendment (SMA)

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

Service-Linked Housing

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

Servicing Agreement

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

Single Family Mortgage Purchase Program (SFMPP)

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

Single Room Occupancy (SRO)

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

Shelter Plus Care Program

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

Stabilization

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

State Partnership Rental Housing Program

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

Strategic Plan

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

Supportive Housing Program

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

Tax credit

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

Tax exempt bonds

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

Taxable bonds

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

Tax Credit Partnership

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

Ten Year Rule

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

Thirty–Two Year (32) Rule

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

Turnkey

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

Turnkey Debt Forgiveness

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

Underwriter's Fee

The compensation paid to the underwriting team for structuring and marketing a bond issue. The underwriter's fee is sometimes paid as a separate fee or sometimes as a discount on the purchase price paid by the underwriters for the bonds.

Underwriting

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

United Black Fund

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

Unrealized Gains or Losses

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

User Fees

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

VASH

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

Volume Bond Cap (See Bond Cap)

Voucher Management System (VMS)

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

Violence Against Women Act (VAWA)

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

Work Force Housing

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

Work Year (WY)

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

Yield

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

Frequently Used Acronyms

A & O	Policy Admissions and Occupancy Policy
ACH	Automated Clearing House
ACOP	Admissions and Continued Occupancy Policy
ADA	The Americans with Disabilities Act
AGP	Annual Growth Policy
ARRA	American Recovery and Reinvestment Act
AWOR	Acquisition Without Rehabilitation
CDBG	Community Development Block Grant
CFP	Capital Fund Program
CIP	Capital Improvements Program
COI	Cost of Issuance
COLA	Cost of Living Adjustment
CY	Calendar Year
DBED	Department of Business and Economic Development
DHCA	Department of Housing and Community Affairs
DHCD	Department of Housing and Community Development
DHHS	Department of Health and Human Services of Montgomery County
EEO	Equal Employment Opportunity
EHO	Equal Housing Opportunity
EIV/UIV	Enterprise Income Verification (EIV)/ Upfront Income Verification (UIV)
FHA	Federal Housing Administration
FMR	Fair Market Rent
FSS	Family Self Sufficiency
FTE	Full Time Equivalent - See WY
FUP	Family Unification Program
FY	Fiscal Year
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GIC	Guaranteed Investment Contract
GIS	Geographical Information System
HALF	Homeownership Assistance Loan Fund
HAP	Housing Assistance Payments
HCV	Housing Choice Voucher Program
HFA	Housing Finance Agency
HIF	Housing Initiatives Fund
HIP	Housing Initiative Program

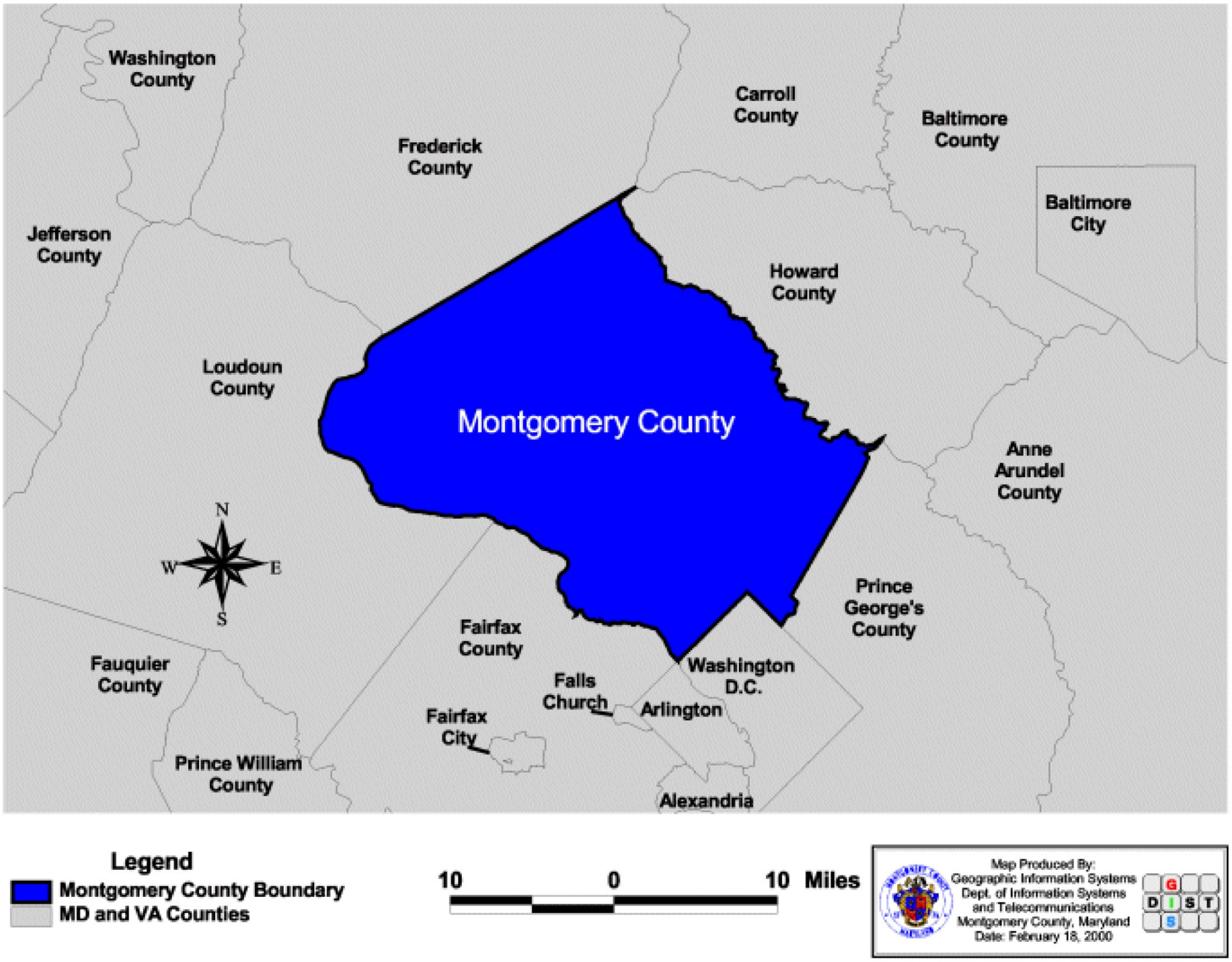
HK4E	House Keys for Employees
HO&C	Housing Opportunities and Concepts
HOC	Housing Opportunities Commission
HOC/HOP	HOC Home Ownership Program
HOPWA	Housing Opportunities for Persons with HIV/AIDS
HQS	Housing Quality Standards
HRS	Housing Resource Service
HUD	Department of Housing and Urban Development
IT	Information Technology
LIHTC	Low Income Housing Tax Credit
LIPH	Low income Public Housing
LMRC	Labor Management Relations Commitee
MAP	Multifamily Accelerated Processing
MBS	Mortgage Backed Securities
MCGEO	Municipal and County Government Employees Organization
MFD	Minority/Female/Disabled
MHDB	Multifamily Housing Development Bond
MPDU	Moderately Priced Dwelling Unit
MPP	Mortgage Purchase Program
MRB	Mortgage Revenue Bond
NAHRO	National Association of Housing and Redevelopment Officials
NOI	Net Operating Income
NSP	Neighborhood Stabilization Program
OCAF	Operating Cost Adjustment Factor
OHRF	Opportunity Housing Reserve Fund
PAT	Property Assessment Tool
PBV	Project Based Voucher
PHAS	Public Housing Assessment System
PHMAP	Public Housing Management Assessment Program
PIC	HUD Public and Indian Housing Information Center
PILOT	Payment in Lieu of Taxes
PLQ	Personal Living Quarters
PRHP	Partnership Rental Housing Program
RAB	Resident Advisory Board
RAD	Rental Assistance Demonstration
RAP	Rental Allowance Program
REAC	Real Estate Assessment Center
RED	Real Estate Development
RFP	Request for Proposal
RfR	Replacement for Reserves
RHPP	Rental Housing Production Program
RHW	Rental Housing Works
RIF	Reduction in Force
ROSS	Resident Opportunities Self Suffciency
RUIT	Rent, Utilities, Insurance, and Taxes
SEMAP	Section Eight Management Assessment Program
SFMPP	Single Family Mortgage Purchase Program
SMA	Sectional Map Amendment
SRO	Single Room Occupancy
TCLP	Temporary Credit and Liquidity Program
TEMHA /RAP	Transitional, Emergency, Medical and Housing Assistance/Rental Allowance Program
TIP	Tenant Integrity Program
UPCS	Uniform Physical Condition Standards
VASH	Veterans Affairs Supportive Housing
VAWA	Violence Against Women Act
VMS	Voucher Management System
WY	Work Year

This page intentionally left blank.

Housing Opportunities Commission
OF MONTGOMERY COUNTY

Map

Montgomery County, MD and Vicinity



This page intentionally left blank.