



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

Adopted Budget Fiscal Year 2013





GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

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

For the Fiscal Year Beginning

July 1, 2011

Linda C. Danson Jeffrey R. Emer

President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the Housing Opportunities Commission of Montgomery County for its annual budget for the fiscal year beginning July 1, 2011.

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 6, 2012

From Stacy L. Spann, Executive Director

Overview

In many ways, the FY 2013 HOC budget represents the beginning of a new chapter for the agency. Amidst changing economic realities, HOC must continue the evolution towards a dynamic, nimble organization that can provide world-class programs, affordable housing and supportive services while also reducing our dependence on public funding.

The agency is currently operating in a harsh fiscal environment. Our portfolio is aging, and we face rising maintenance costs. Interest rates are low, and while this presents opportunities in the real estate market, it also affects the agency's cash flow. It is clear that Federal funding alone cannot meet the affordable housing needs of our community, and this situation is unlikely to change in the foreseeable future. The State and County continue to face difficult choices in balancing their respective budgets, and funding from these sources is uncertain at best. At this point, our revenues are not keeping pace with our expenses.

Those we serve in Montgomery County are feeling the effects of a distressed financial market as well. County homeownership rates continue on a downward trend. Despite the low interest rates available, many cannot qualify for loans under tightened lending standards. Increased demand for rental properties has driven rents upward. At the same time, median

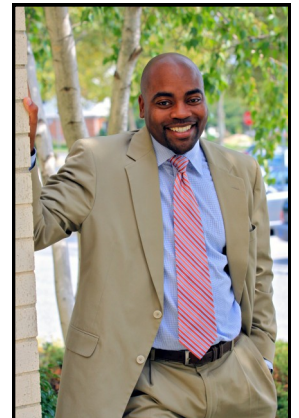
income has dropped, and more than half of the renters in the County are now paying more than 30% of their income towards housing expenses.

Against this backdrop, our ability to continue to provide affordable housing and supportive services will depend on our creativity and innovation. HOC must boldly expand private partnerships and find new public ones, seek new grants, and make optimal use of our resources if the agency is to sustain our current services and programs.

FY 2012

HOC continues to expand the range of electronic services available to our audiences. In FY 2012, HOC began accepting online rent payments for clients living in HOC managed properties. HOC is also now making vendor payments electronically. A comprehensive redesign of the HOC website is also underway, and it is expected that the new site will offer enhanced online resources for those seeking affordable housing in Montgomery County.

Major renovations are ongoing at several HOC properties, including The Glen and The Metropolitan. HOC recently completed renovations at Paddington Square. Positioning HOC to successfully attract and retain tenants in the rental market is critically important to maximize revenue from these properties.



Special points of interest:

"HOC must continue the evolution towards a dynamic, nimble organization that can provide world-class programs, affordable housing and supportive services while also reducing our dependence on public funding."

During FY 2012, HOC opened Lasko Manor, a Bethesda facility that provides permanent, supportive housing for 12 formerly homeless adults. Lasko Manor, named in honor of former Commissioner Warren Lasko, is the culmination of years of collaboration between HOC, the Montgomery County Department of Housing and Community Affairs, and many others in the community who worked diligently to bring these resources to an underserved group of Montgomery County citizens.

In FY 2012, HOC continued a fruitful partnership with Jubilee Association of Maryland to rehabilitate single family homes to provide permanent, supportive housing for adults with developmental disabilities. There are now three homes serving nine individuals, and we hope to secure funding for additional collaborations in the years ahead.

New Political and Fiscal Realities

At every level of government, elected officials have been forced to cut funding across the spectrum of social services, and HOC has not been spared. Over the past several years, Federal funding for the Public Housing and Housing Choice Voucher programs has been reduced as Congress has sought ways to reduce overall spending and cope with a growing deficit. Despite reductions in funding, Federal regulatory compliance requirements have increased, placing additional administrative and financial burdens on the agency.

In Annapolis, state legislators have grappled with similar issues, but the impact on HOC has not been as painful as HOC receives only a very small amount of funding from the State.

Locally, the decline in tax revenue has driven elected officials to cut spending to many useful and important programs. To the extent possible, County leadership has minimized cuts that would harm our most vulnerable residents including low income families, the elderly, the homeless, and those with disabilities.

More than ever, HOC must identify opportunities to provide housing that does not rely on Federal subsidies. The agency must establish and strengthen partnerships with the private sector, faith-based groups, and socially oriented non-profits while also aggressively pursuing grant funding. Together

with the County, we must also think creatively about repurposing available space such as County buildings, warehouses, and mixed-use properties to meet the affordable housing needs of the community. The old solutions are no longer effective in our post recession economy.

Upcoming in FY 2013

HOC will continue to evaluate its property portfolio in FY 2013. The agency must optimize portfolio performance while also taking a long-term view of both the portfolio and the future of affordable housing needs in Montgomery County.

HOC will continue to monitor and pursue development opportunities relating to County properties through the RFP and RFQ process. Additionally, HOC will monitor market opportunities available through the agency's Right of First Refusal on multifamily properties that become available.

The Planning Board is in the midst of a Sector Plan update for the Chevy Chase Lake area. HOC owns Chevy Chase Lake Apartments, and we are involved in the sector planning process. We will be evaluating any redevelopment opportunities that may arise relating to the property.

HOC is working with HUD on a proposal that would convert Public Housing scattered site units to Project Based Vouchers. If successful, the implementation of that process will continue throughout FY 2013.

To keep our properties competitive in a growing rental market, HOC must continue the vital maintenance and renovation process. During FY 2012, the Maryland Department of Housing and Community Development recommended awarding 9% Low Income Housing Tax Credits and a \$2 million Rental Housing Fund loan to help HOC redevelop Tanglewood and Sligo Hills Apartments. Renovations will continue at the Metropolitan and The Glen to ensure that HOC can continue to provide high quality, amenity-rich and affordable housing for the next generation of renters.



Budget Highlights

Adopted Budget
June 6, 2012

FY 2013 Budget Highlights

Housing Choice Voucher Program

As Montgomery County's Public Housing Authority, HOC administers the Housing Choice Voucher Program (HCV). Currently, HOC is authorized to provide 6,207 vouchers. This number includes all vouchers allocated to the Housing Opportunities Commission, including the Mainstream Disabled, Moderate Rehabilitation, and Veterans Affairs Supportive Housing (VASH) vouchers. The 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 2013 Adopted Budget was developed based on current utilization projections for FY 2012 and the preliminary funding levels provided by HUD for CY 2012 which establishes a funding level of \$77.9 million. In 2011 and 2012, HOC was awarded 89 Opt-Out Vouchers and 40 VASH Vouchers. 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 the 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.

Public Housing

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

townhouses and single family homes are scattered throughout the County.

Each year HUD provides an operating subsidy to bridge the gap between what residents pay in rent, which equals 30% of their gross income, and the cost of operating the units. The amount of HUD funding falls short of what is required. HUD is currently projecting a 95% appropriation of eligibility. The FY 2013 Budget anticipates HOC will receive approximately \$6.9 million in operating subsidy. The FY 2013 Adopted Budget also includes funding from Montgomery County via the County Main Grant to help offset rising utility and Housing Association (HOA) Fees.

HUD also provides funding for capital improvements of the units. The FY 2013 budget anticipates HOC will receive an award of almost \$2 million from the Capital Fund Program to address these needs.

In addition, Montgomery County has provided funding for capital improvements for the past several years. In addition to \$1.25 million for general rehabilitation work, the County Executive's FY 2013 Adopted Capital Improvements Program (CIP) also includes funding to complete installation of sprinkler systems at Elizabeth House and Arcola Towers.

County Budget

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

County's operating support at a 3:1 ratio. The County's appropriation also supports HOC's properties, Housing Resource Service and Customer Service Centers.

As described above in the Public Housing section, the County has been generous in providing capital support to HOC. This year, the County Executive's Adopted Capital Improvement Program restores the \$1.25 million funding level for capital improvements in HOC's public housing units as well as a continuation of the funding necessary to complete the installation of sprinkler systems at Elizabeth House and Arcola Towers.

In addition, funding has been added to the sprinkler project to correct problems with the fire suppression system at Town Center Apartments in Rockville. Finally, a project has been added to make capital improvements at both Town Center Apartments in Rockville and Bauer Park Apartments. These two properties provide housing to low-income seniors.

Rental Market Activity

The national and regional economies continue to be weakened by a number of market forces yet are showing signs of recovery. The Metropolitan Washington, DC area continues to report job growth albeit at a slower pace and a low unemployment rate, essential ingredients for apartment demand. During FY 2012, vacancy rates in the region edged upward due to slower job growth and a weak housing market. With the local economy impacted by slower employment growth and a greater number of properties expected to be delivered to the market, we expect greater pressure on vacancy rates in FY 2013. The FY 2013 property budgets have been developed in conjunction with the County Executive's Rental Guideline of 2.8%.

In addition to its 1,554 Public Housing units, HOC oversees a portfolio of 5,310 rental units for families and individuals. Rental income from our properties is a primary source of funding for HOC's operations. We look to the properties to generate sufficient revenue to be self-supporting. At the same time, HOC's market rate units also contribute to the support of the units which are affordable to lower income households. For FY 2013, HOC is projecting a slight increase over FY 2012.

Real Estate Development

HOC has been 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 can be expected to generate \$12.4 million in equity for the refinancing and substantial renovation of 132 units at Tanglewood and Sligo Hills Apartments in Silver Spring. Construction is expected to begin by late 2012 and be completed by year-end 2013.

Renovations are expected to be complete by late 2012 at Southbridge on Aspen Court in Takoma Park. Southbridge, a three-building community with 39 units, is expected to be leased to a mix of 19 market-rate and 20 low-income qualifying families earning 50% of Area Median Income or below as required by the Montgomery County Department of Housing and Community Affairs (DHCA). HOC will seek permanent financing of the property upon stabilization in FY 2013.

Real Estate anticipates closing on a bond refinancing by July 2012 of 190 scattered site townhomes and condominiums owned by HOC and originally developed as MPDUs. The proceeds will provide funds to refinance outstanding indebtedness and renovate most of the units. The units to be financed in this transaction will offer units that will serve households earning less than 50% and 60% the Area Median Income.

During FY 2012, Real Estate began to develop plans to renovate the 162-unit development known as The Ambassador, located in Wheaton. Plans changed to capitalize on the opportunity that sought to maximize the unit yield and contribute to revitalization efforts in Wheaton. An RFQ/RFP process commenced and proposals pursuant to an RFP are expected in November 2012. Once a developer is selected in January 2013 according to the schedule, the planning, financing, and approval process may take as long as three years before construction commences.

The Real Estate Division will continue to pursue a number of opportunities and close out several transactions. The division is integral to the implementation of one of the major objectives of the newly adopted FY13-FY17 Strategic Plan—vision of HOC as a real estate company. Therefore, its activities in FY 2013 and beyond 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 prospecting for opportunities, building partnerships, and identifying alternative sources of equity.

Mortgage Finance

The Mortgage Finance Division continues to operate in an environment that has experienced significant turbulence over the past four years and, despite bold actions by the Federal Government to stave off complete collapse, the financial system is still very fragile. A significant effort by the government to assist housing finance agencies was the October 2009 Housing Finance Agency Initiative, which was implemented by the U.S. Treasury Department in conjunction with Fannie Mae and Freddie Mac. The two components of the program were: 1) Temporary Credit and Liquidity Program (TCLP), and 2) New Issue Bond Program (NIBP). The TCLP enabled the Commission to access liquidity for approximately \$110 million of its outstanding floating rate debt in 2009 for a three-year term. As of June 30, 2012, only \$12.65 million continues to be supported by the TCLP and the Commission is expected to exit this facility by December 2013. All NIBP bonds (\$46.49 million) were fully utilized in 2010, producing 291 multifamily units. At the beginning of FY13, only \$13 million of NIBP proceeds will remain available to be used for the single family program. The overall impact of the two programs has been reduced borrowing and liquidity costs for existing and new financing programs and enabling low- and moderate-income households to be provided with viable housing options. Although the economy and the financial markets are still somewhat unstable, the market for liquidity support has improved.

The Mortgage Finance Program typically completes two to four bond issuances each year. In the past fiscal year, the Multifamily program completed the issuance of two series of bonds, the proceeds of which were to finance mortgage loans for MetroPointe Development. The funds were used to retire outstanding indebtedness for the property, resume the permanent financing plan, and release the Montgomery County general obligation pledge. In the Single Family program, one bond issuance was completed

through the conversion of escrowed NIBP funds, yielding \$30 million of mortgage proceeds to fund mortgages for eligible first time home buyers. The Single Family program also reduced its liquidity expense for its variable rate bonds by remarketing approximately \$60.855 million of variable rates bonds to replace TCLP support with liquidity support from PNC Bank, N.A. The Single Family program continued its strategy of reducing bond expense with three bond redemptions totaling \$20.9 million.

In FY 2013, Mortgage Finance will continue to contribute Commitment Fees, Loan Management Fees, and other overhead revenue to the Agency's Operating Budget. The next fiscal year will continue to present challenges: 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. 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 2013 from which approximately \$61.8 million in new mortgage proceeds is expected. In the Single Family space, the housing market continues to reflect underlying weak economic and employment conditions as delinquencies and foreclosures continue to plague the sector. Nevertheless, at least one bond issuance is expected to be completed in FY 2013 that should yield approximately \$25 million of new mortgage proceeds. On May 5, 2012, the Commission approved a proposal to add Mortgaged Backed Securities option to the Single Family Mortgage Purchase Program and approved U.S. Bank National Association as the Master Servicer for the program. The aforementioned bond issue, the proceeds of which will be available to purchase MBS backed by pools of qualified mortgages, will enable the implementation of the MBS program. Servicing rights and responsibilities will transfer 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 existing pool of whole loans will continue to be serviced by the current servicers.

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June 6, 2012

FY 2013 Adopted Budget

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Reader's Guide

Adopted Budget
June 6, 2012

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 2012 to FY 2013.

Page v Budget Highlights

Page xi Budget Overview

This section includes:

- Overview – Revenue and Expense Summary
- Fund Structure
- Agency Fund Description
- Budget Process
- Overview – Strategic Plan
- Operating Budget
- FY 2013 Revenue and Expense Statement

Page 1-1 Budget Summary Information

This section includes:

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

Page 2-1 Operating Budget

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

- Mission Statement

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

Page 3-1 Capital Budget

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

Page 4-1 Personnel Assumptions

This section includes personnel information relevant to the budget.

Page 5-1 Appendix

Program History

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

Units

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

General Financial Information

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

Glossary

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

Map

Map of Montgomery County, MD, and Vicinity

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Budget Overview

Adopted Budget
June 6, 2012

Overview—Revenue and Expense Summary

Fund Summary Overview

FY 2013 Adopted Budget

	Revenues	Expenses	Net
General Fund	16,329,190	17,616,490	(1,287,300)
Multifamily Bond Funds	24,281,620	24,281,620	0
Single Family Bond Funds	15,972,600	15,972,600	0
Opportunity Housing Fund			
Opportunity Housing Reserve Fund (OHRF)	865,280	705,670	159,610
Restricted to OHRF	0	159,610	(159,610)
Opportunity Housing & Development Corporation Properties	55,767,590	53,737,790	2,029,800
Public Fund			
Public Housing Fund	12,978,480	12,795,240	183,240
Restricted to Public Housing	0	183,240	(183,240)
Housing Choice Voucher Program	83,981,820	84,724,320	(742,500)
Federal, State and County Grants	13,230,200	13,230,200	0
TOTAL - ALL FUNDS	\$223,406,780	\$223,406,780	\$0

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

Fund Structure

This section summarizes the Agency's FY 2013 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 2013 Budget based on funding source. These funding groups are combined into the Agency's five funds for financial statement reporting.

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

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

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

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

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

There are two separate Bond Funds:

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

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

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

Agency Fund Description

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

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

Uses

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

Project / Grant funds included in each Agency Fund

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

Basis for Budgeting

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

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

Budget Adoption and Amendment

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

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

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

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

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

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

Executive Director's Budget Authorization

The Executive Director is:

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

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

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

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

Reporting

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

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

Conclusion

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

Public Participation in the Budget Process

As a public corporation, the Housing Opportunities Commission is committed to involving citizens in the Agency's programs. The agenda for all meetings of the Commission is posted on the Agency's website at www.hocmc.org. In addition, the Commission operates an agenda information line which provides information to the public on the upcoming agenda, 240-773-9382. The Special Assistant to the Commission can be contacted directly at 240-773-9025. Civic associations are informed of the agenda items

related to their concerns prior to the Commission meeting where such concerns will be discussed. Public forums are held at each meeting of the Commission to allow for citizen comments. All regular Commission meetings are held in the late afternoon.

HOC's approved budget is provided to elected officials. In addition, both the approved budget and a budget-in-brief are made available electronically via the HOC website (www.hocmc.org).

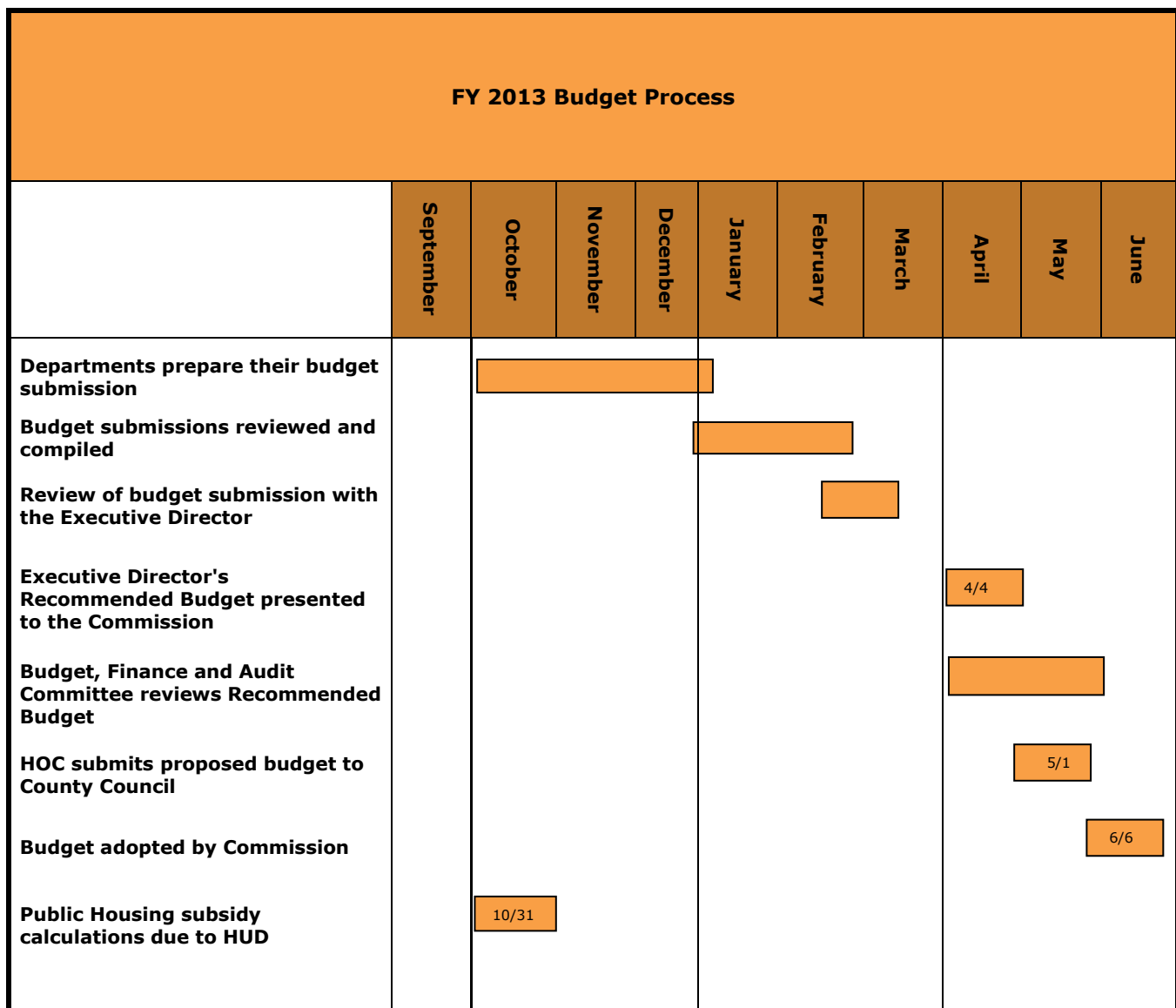
Budget Calendar—FY 2013

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 2013 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

HOC has an operating budget for FY 2013 of \$223.4 million. Revenues are generated in two ways:

- Grants, other funding sources, and the cash flow from HOC properties generate 80.37% of total revenues.
 - \$60.8 million (27.21%) is from property rents and service income.
 - \$103.5 million (46.31%) is from Federal, State and County grants.
 - \$95.5 million (42.75%) is from Federal grants, which includes \$78.9 million in HUD Housing Choice Voucher Assistance Payments that are passed through to Montgomery County landlords, for which HOC earns administrative fees.
 - \$7.8 million (3.48%) is from grants from Montgomery County for specific activities, including the administration

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

- \$0.2 million (.08%) is from various State grants.
 - \$15.3 million (6.85%) is from management fees and miscellaneous income.
- Non-operational income derived from HOC's bond-financing operation, real estate financing fees and interest earned on investments generate 19.63% of total revenues.
 - \$37.2 million (16.66%) is from mortgage interest income which pays the debt service on HOC housing revenue bonds and interest earned on cash investments.
 - \$6.6 million (2.97%) is from miscellaneous bond financing operations and transfers between funds.

FY 2013 Revenue and Expense Statement

Operating Income

Tenant Income	59,666,460
Non-Dwelling Rental Income	1,124,070
Federal Grant	95,506,940
State Grant	173,690
County Grant	7,786,020
Management Fees	15,074,910
Miscellaneous Income	217,680

TOTAL OPERATING INCOME \$179,549,770

Non-Operating Income

Investment Interest Income	37,222,290
FHA Risk Sharing Insurance	542,800
Transfer Between Funds	6,091,920

TOTAL NON-OPERATING INCOME \$43,857,010

Operating Expenses

Personnel Expenses	36,179,120
Operating Expenses - Fees	14,698,500
Operating Expenses - Administrative	6,061,560
Tenant Services Expenses	3,658,860
Protective Services Expenses	692,240
Utilities Expenses	6,540,580
Insurance and Tax Expenses	1,334,370
Maintenance Expenses	7,426,860
Housing Assistance Payments (HAP)	78,851,790

TOTAL OPERATING EXPENSES \$155,443,880

Non-Operating Expenses

Interest Payment	42,863,740
Mortgage Insurance	719,930
Principal Payment	6,666,490
Operating and Replacement Reserves	4,946,160
Restricted Cash Flow	4,450,500
Development Corporation Fees	3,526,600
Miscellaneous Bond Financing Expenses	1,062,970
FHA Risk Sharing Insurance	542,800
Transfer Out Between Funds	3,183,710

TOTAL NON-OPERATING EXPENSES \$67,962,900

NET OPERATING INCOME \$24,105,890

NET NON-OPERATING ADJUSTMENTS (\$24,105,890)

Section 1:

SUMMARY

Tab

Summary

Mission and Vision Statements

Mission

- To provide affordable housing and supportive services.

Vision

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

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

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

Special points of interest:

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

Strategic Plan Goals

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 opportunities for leadership development 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 to meet the requirements of the programs in which they participate as well as their responsibilities within their

communities.

- 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 xiii, HOC can manage and review its complex financial structure in a number of different ways:

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

The following pages of the section highlight the Agency's FY 2013 Adopted Operating Budget.

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

The chart on page 1-6 shows the FY 2013 Operating Budget by accounting classification.

This chart summarizes all Agency Funds. The FY 2013 Operating Budget is balanced.

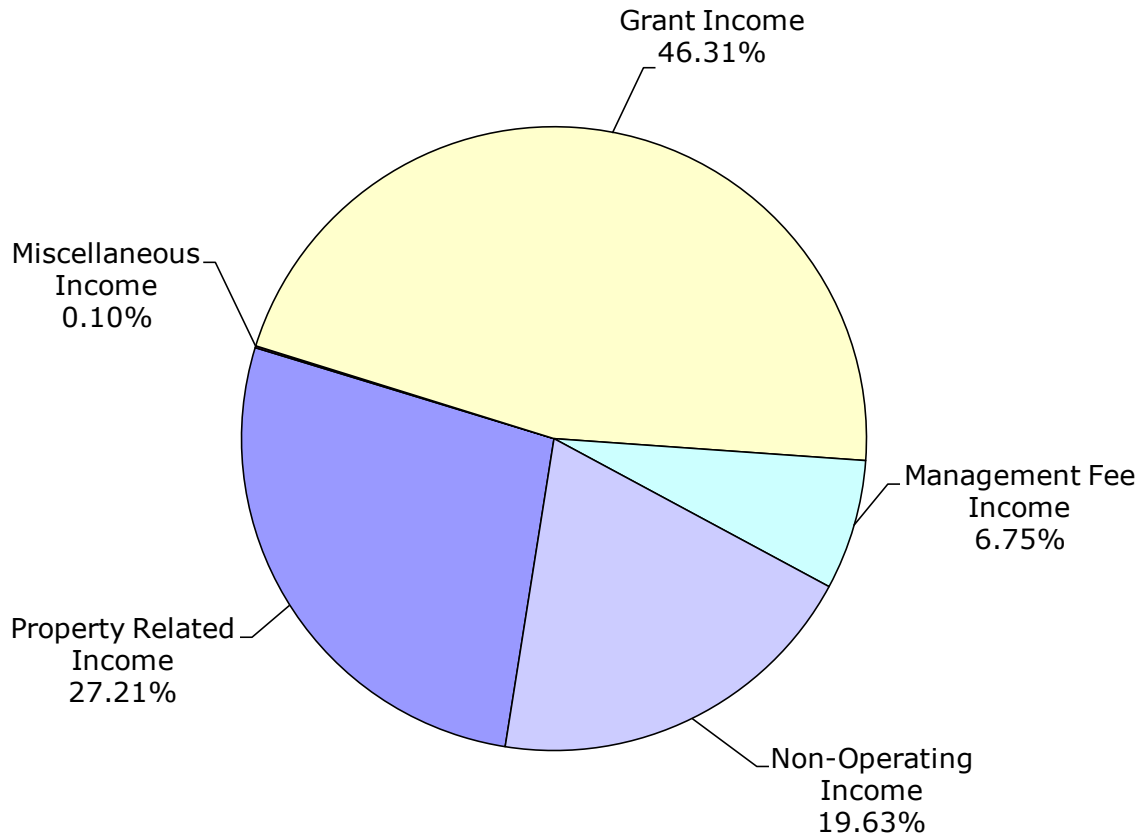
The chart on page 1-9 illustrates the FY 2013 external as well as internal revenue restrictions. Although HOC has a \$223.4 million budget, only 7.38%, or \$16.5 million, may be used by the Commission for discretionary expenses.

The chart on page 1-10 summarizes the General Fund. In FY 2013, the Net Operating Deficit decreased by \$1.3 million from FY 2012.

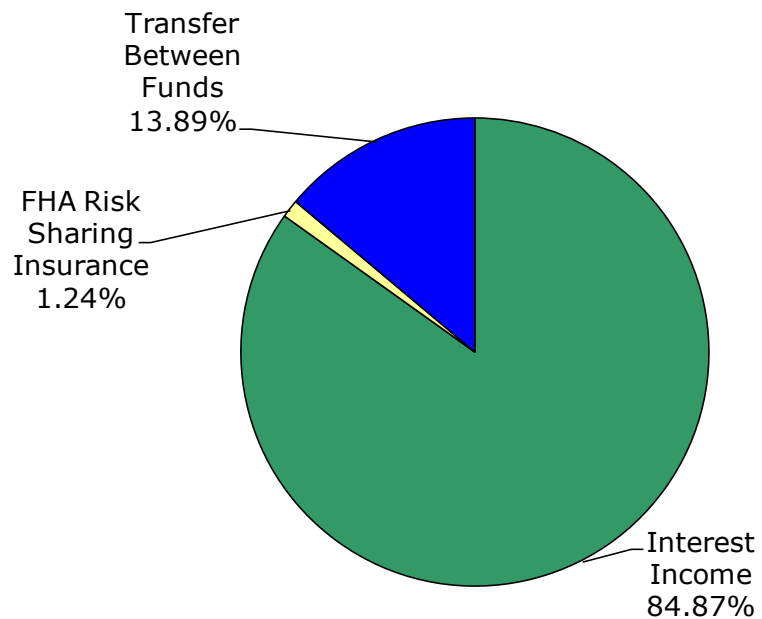
Charts are also included in this section which show the revenue, expense and net cash flow for the properties as well as the annual operating budget for each of the grants.

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

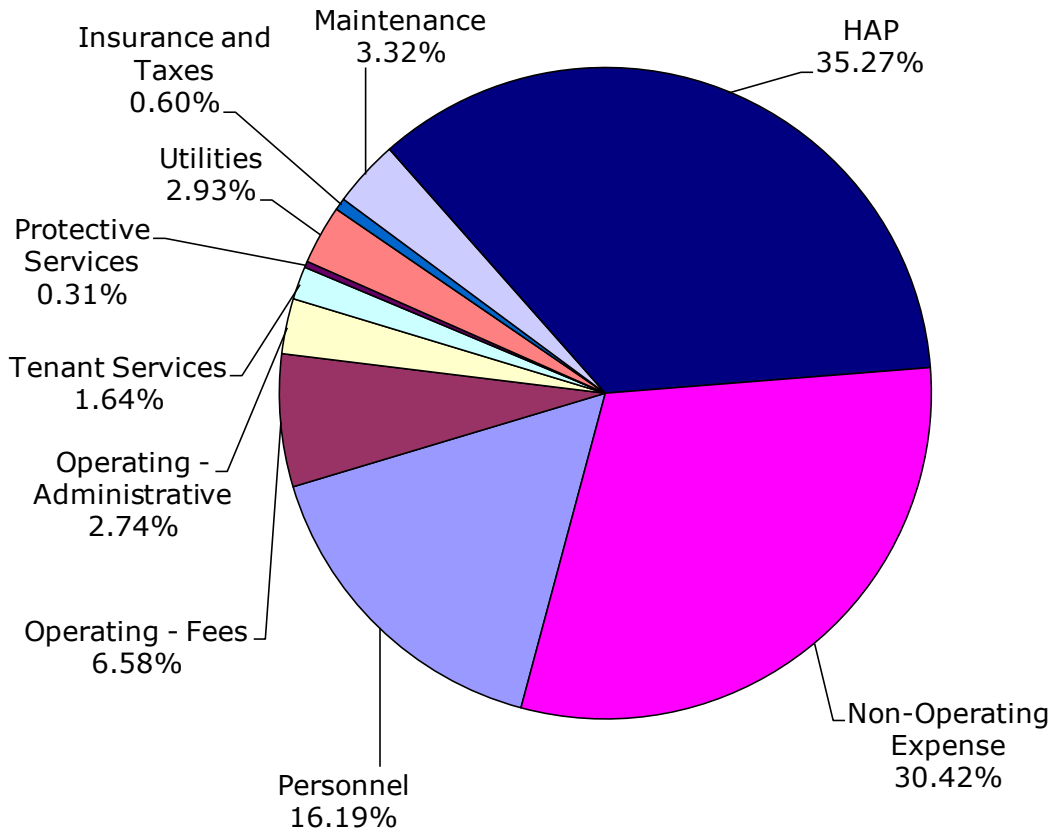
Source of Funds



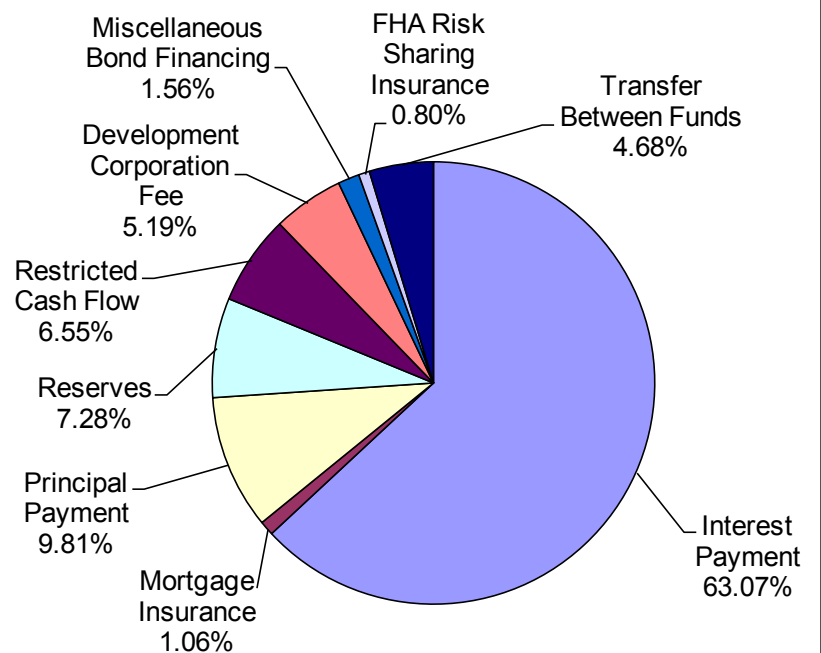
Non-Operating Income



Use of Funds



Non-Operating Expense

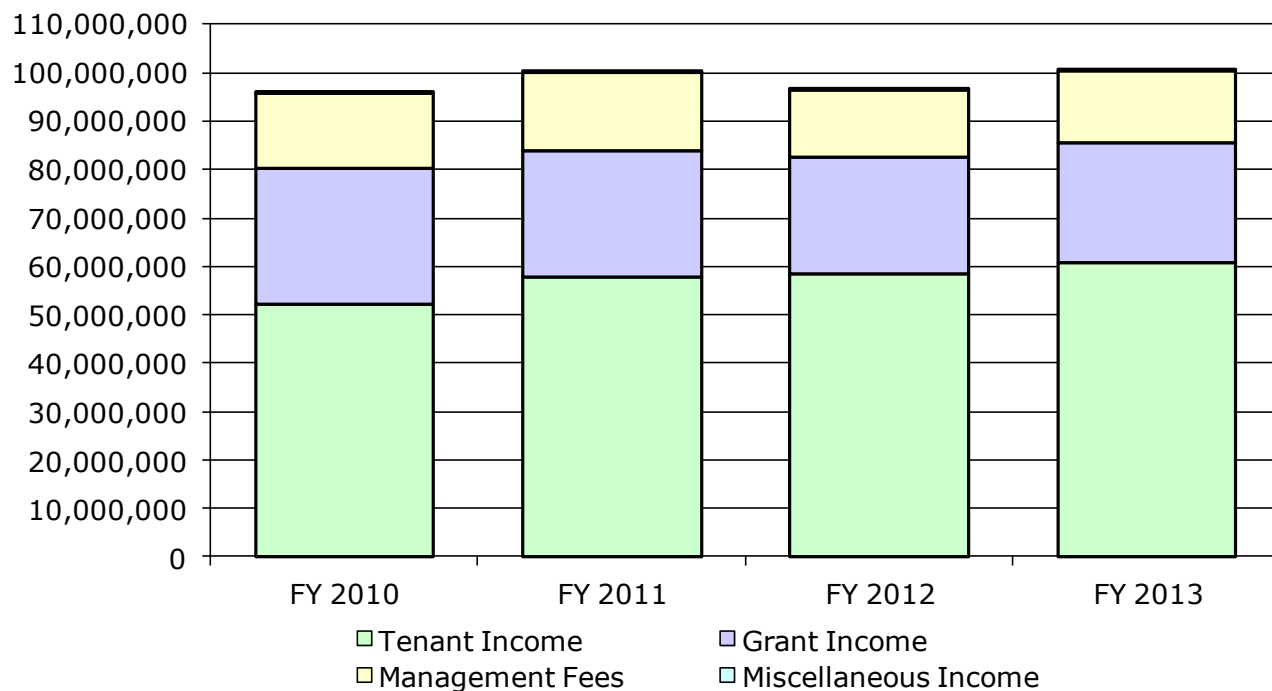


Total Agency—Revenue and Expense Statement

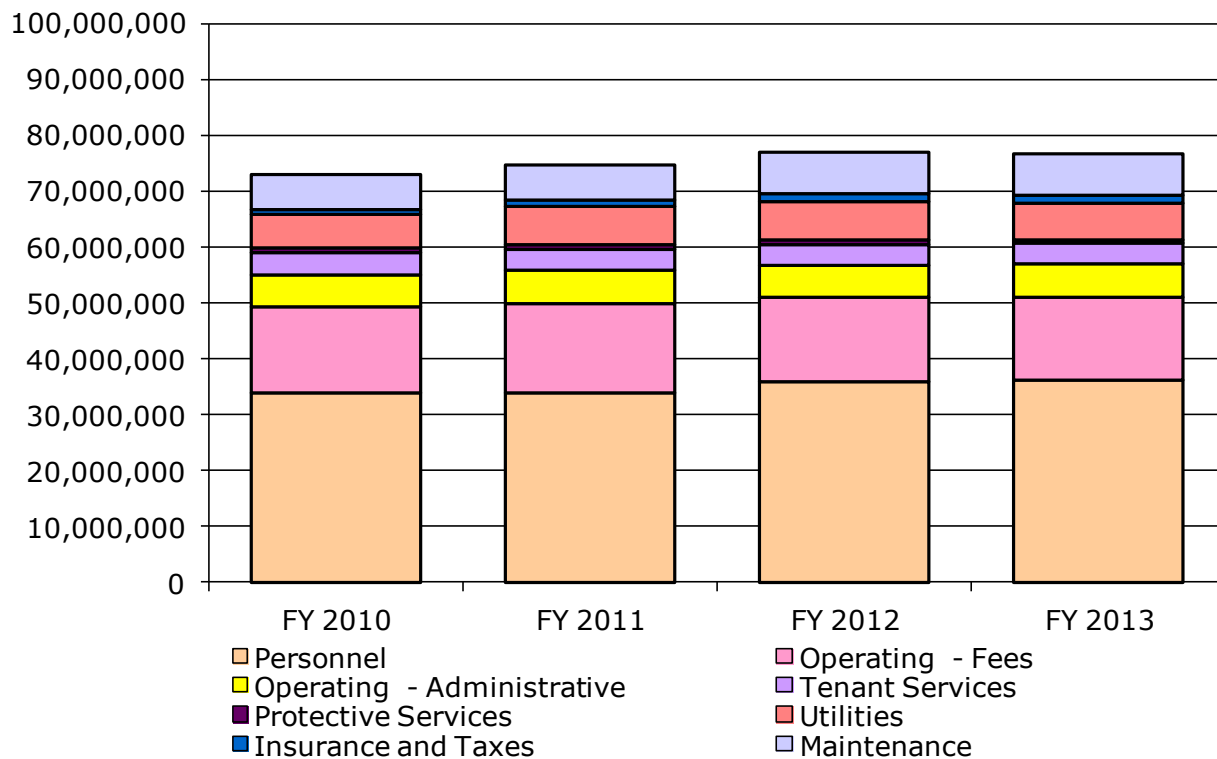
Total Revenue and Expense Statement	FY 2010 Actual	FY 2011 Actual	FY 2012 Amended Budget	FY 2013 Adopted Budget
Operating Income				
Tenant Income	50,658,853	56,554,822	57,407,990	59,666,460
Non-Dwelling Rental Income	1,390,343	1,359,149	1,091,730	1,124,070
Federal Grant	87,916,432	92,450,289	91,795,960	95,506,940
State Grant	176,194	180,281	98,620	173,690
County Grant	9,349,339	8,254,382	7,750,090	7,786,020
Management Fees	15,412,566	16,336,382	13,936,680	15,074,910
Miscellaneous Income	269,923	456,586	236,900	217,680
TOTAL OPERATING INCOME	\$165,173,650	\$175,591,891	\$172,317,970	\$179,549,770
Operating Expenses				
Personnel Expenses	33,758,466	33,880,753	35,776,520	36,179,120
Operating Expenses - Fees	15,484,583	15,851,856	15,113,640	14,698,500
Operating Expenses - Administrative	5,751,551	6,067,082	5,900,010	6,126,560
Tenant Services Expenses	3,899,615	3,751,488	3,611,170	3,658,860
Protective Services Expenses	834,168	854,975	835,300	692,240
Utilities Expenses	5,967,580	6,723,249	6,926,010	6,540,580
Insurance and Tax Expenses	968,835	1,145,688	1,327,890	1,334,370
Maintenance Expenses	6,259,344	6,452,906	7,289,960	7,426,860
Housing Assistance Payments (HAP)	69,146,323	75,057,151	75,484,590	78,786,790
TOTAL OPERATING EXPENSES	\$142,070,465	\$149,785,148	\$152,265,090	\$155,443,880
NET OPERATING INCOME	\$23,103,185	\$25,806,743	\$20,052,880	\$24,105,890
Non-Operating Income				
Investment Interest Income	36,374,069	38,601,878	37,265,360	37,222,290
FHA Risk Sharing Insurance	591,946	594,027	562,020	542,800
Transfer Between Funds	13,480,549	9,124,665	7,410,060	6,091,920
TOTAL NON-OPERATING INCOME	\$50,446,564	\$48,320,570	\$45,237,440	\$43,857,010
Non-Operating Expenses				
Interest Payment	41,308,990	41,841,211	42,685,470	42,863,740
Mortgage Insurance	684,551	698,221	738,340	719,930
Principal Payment	6,065,243	6,201,945	6,869,780	6,666,490
Operating and Replacement Reserves	7,067,827	8,616,425	4,732,690	4,946,160
Restricted Cash Flow	10,254,682	5,832,343	3,436,810	4,450,500
Development Corporation Fees	1,482,181	3,095,939	2,382,940	3,526,600
Miscellaneous Bond Financing Expenses	1,315,800	1,114,404	1,017,650	1,062,970
FHA Risk Sharing Insurance	591,946	594,027	562,020	542,800
Transfer Out Between Funds	3,859,439	4,955,662	2,864,620	3,183,710
TOTAL NON-OPERATING EXPENSES	\$72,630,659	\$72,950,177	\$65,290,320	\$67,962,900
NET NON-OPERATING ADJUSTMENTS	(\$22,184,095)	(\$24,629,607)	(\$20,052,880)	(\$24,105,890)
NET CASH FLOW	\$919,090	\$1,177,136	\$0	\$0

Operating Budget—Total Agency

Total Operating Income w/o HAP

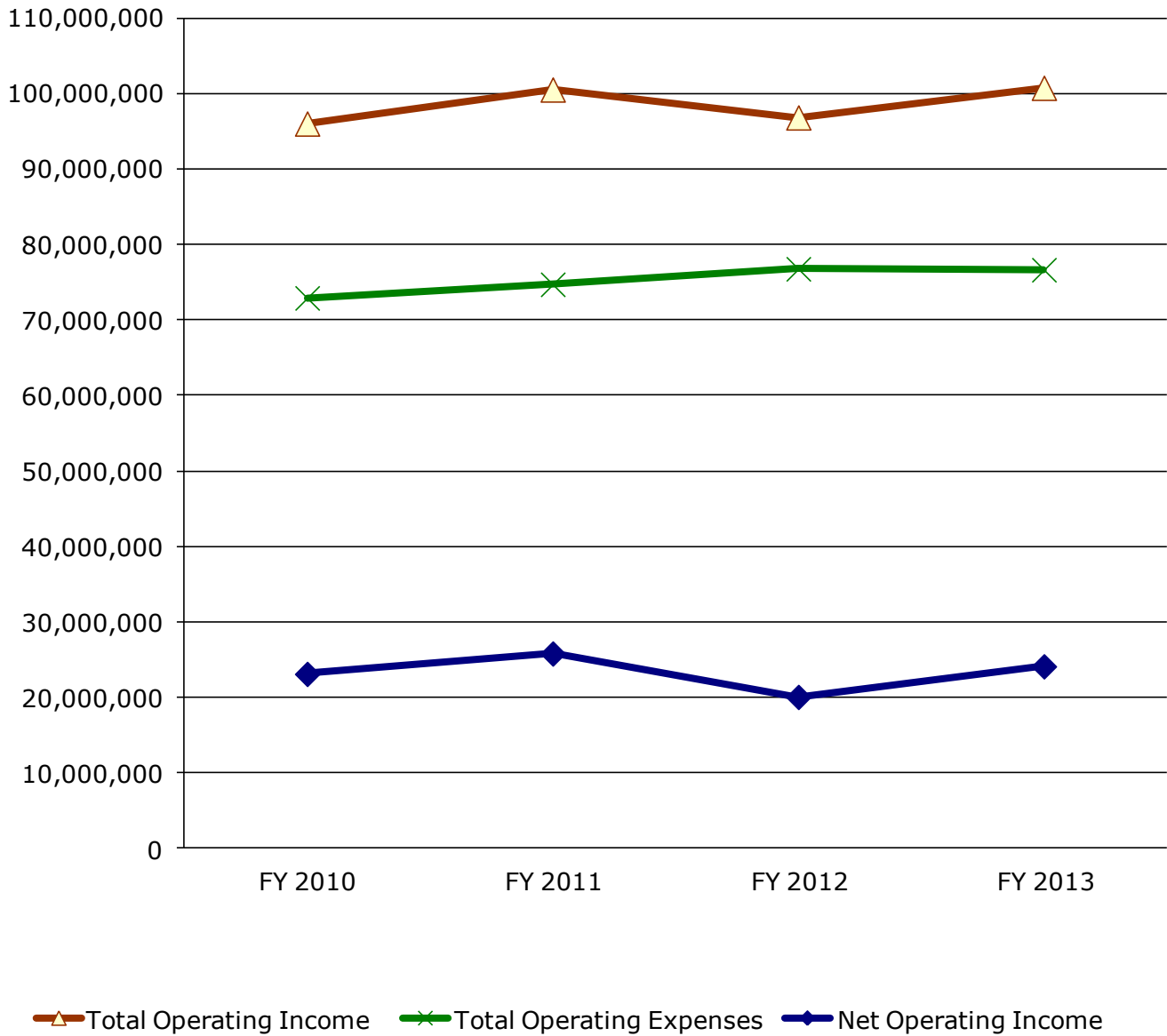


Total Operating Expenses w/o HAP



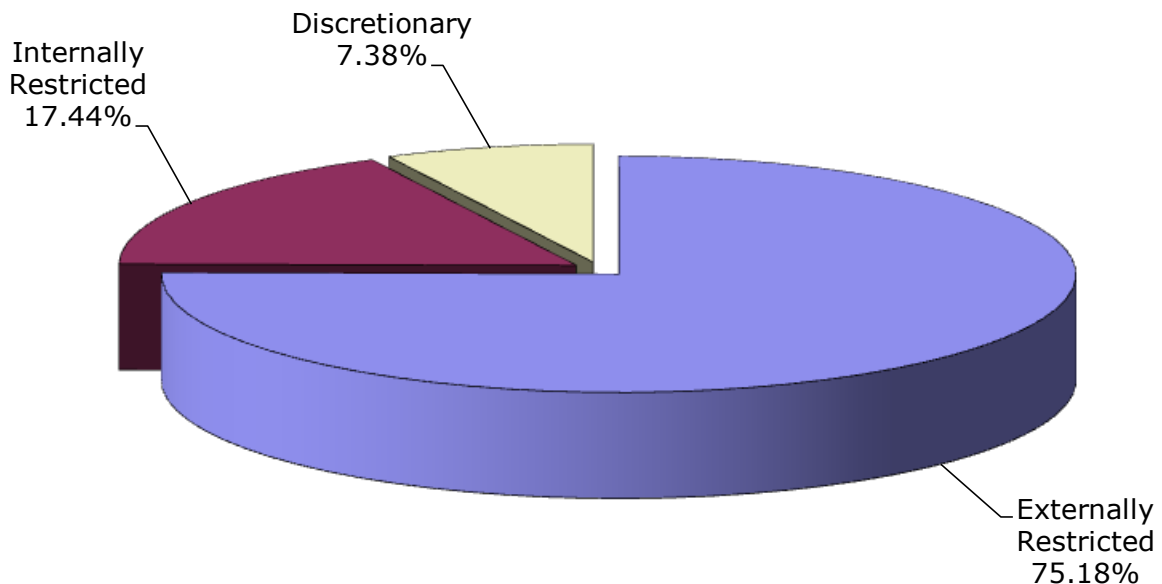
Operating Budget—Total Agency

Net Operating Income w/o HAP



FY 2013 Revenue Restrictions

Revenue Restriction (Showing externally placed restrictions)	FY 13 Adopted Budget			
	Externally Restricted	Internally Restricted	Discretionary	Total
Operating Income				
Property Related Income	20,507,820	38,252,910	2,029,800	60,790,530
Federal Grant	95,506,940			95,506,940
State Grant	173,690			173,690
County Grant	7,786,020			7,786,020
Management Fees		714,900	14,360,010	15,074,910
Miscellaneous Income	205,180		12,500	217,680
TOTAL OPERATING INCOME	\$124,179,650	\$38,967,810	\$16,402,310	\$179,549,770
Non-Operating Income				
Interest Income	37,222,290			37,222,290
FHA Risk Sharing	542,800			542,800
Transfer Between Funds	6,018,180		73,740	6,091,920
TOTAL NON-OPERATING INCOME	\$43,783,270	\$0	\$73,740	\$43,857,010
TOTAL - ALL REVENUE SOURCES	\$167,962,920	\$38,967,810	\$16,476,050	\$223,406,780

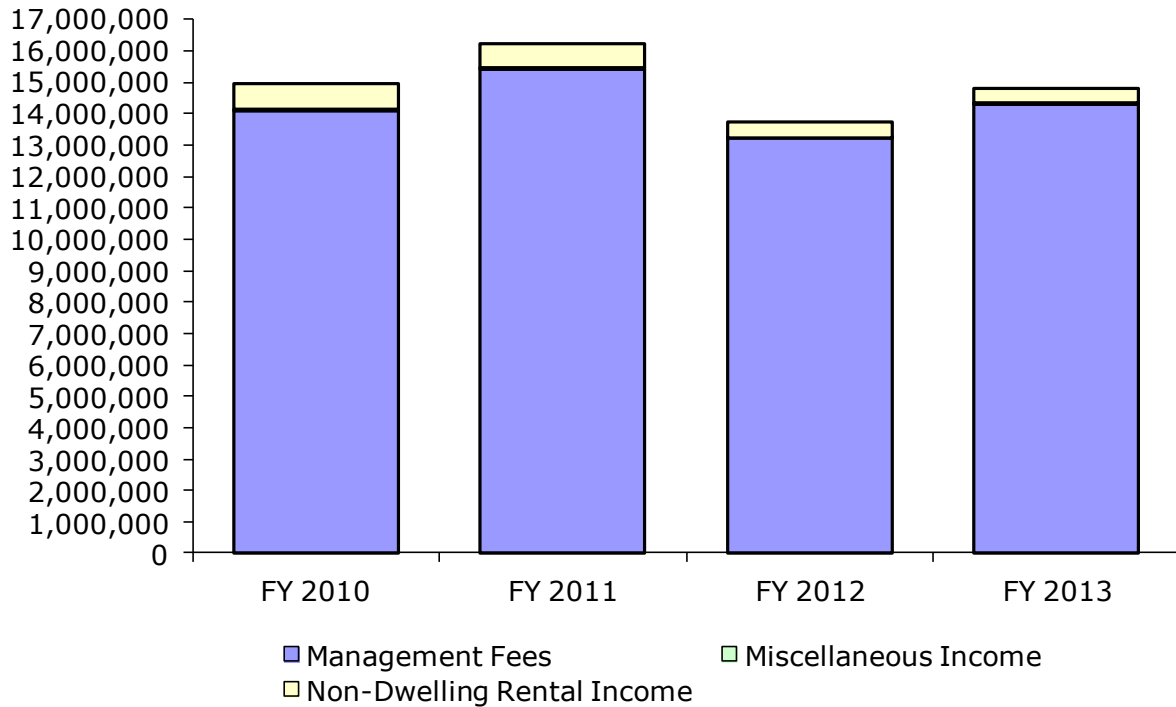


General Fund—Revenue and Expense Statement

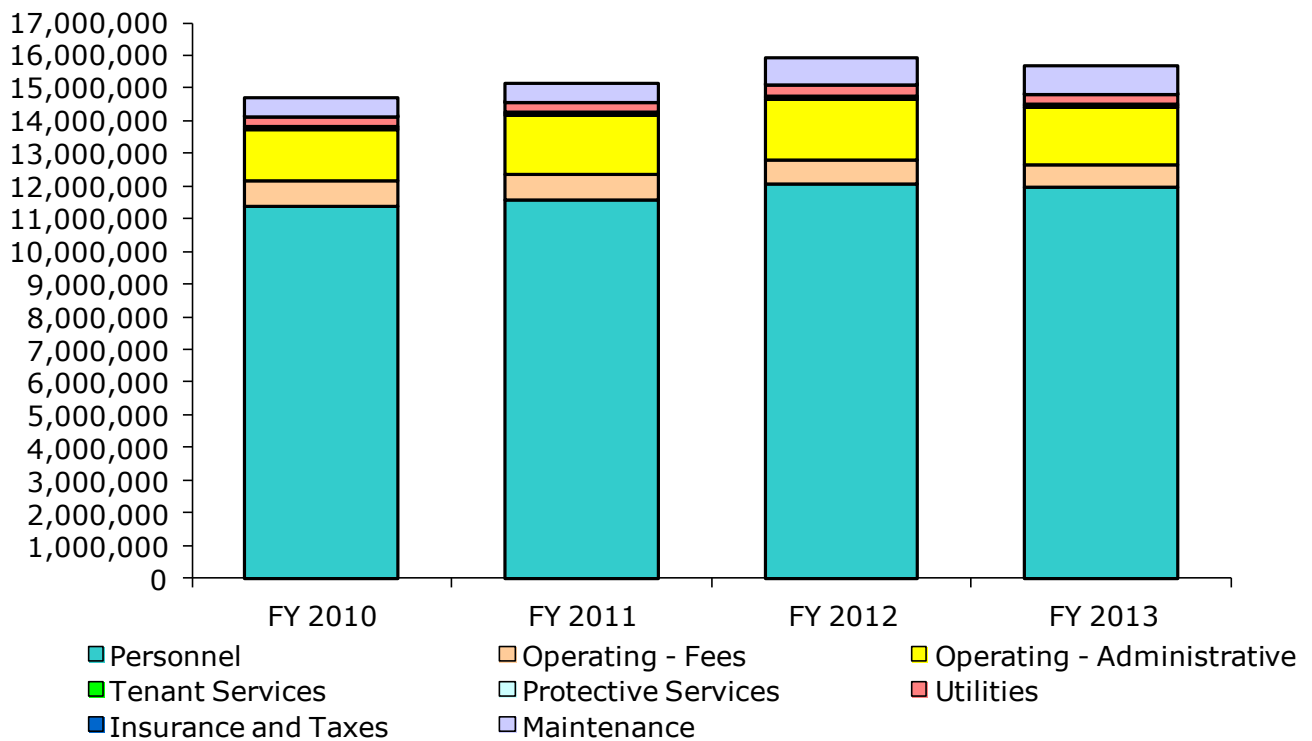
General Fund	FY 2010 Actual	FY 2011 Actual	FY 2012 Amended Budget	FY 2013 Adopted Budget
Operating Income				
Non-Dwelling Rental Income	803,558	730,917	464,600	479,220
Management Fees	14,123,082	15,402,957	13,240,750	14,318,680
Miscellaneous Income	38,585	80,616	17,500	12,500
TOTAL OPERATING INCOME	\$14,965,225	\$16,214,490	\$13,722,850	\$14,810,400
Operating Expenses				
Personnel Expenses	11,372,319	11,559,500	12,079,880	11,947,230
Operating Expenses - Fees	776,715	810,363	734,340	687,540
Operating Expenses - Administrative	1,571,729	1,783,251	1,820,850	1,760,650
Tenant Services Expenses	43,276	50,444	68,450	62,390
Protective Services Expenses	56,825	59,895	54,800	55,350
Utilities Expenses	276,883	294,796	310,930	271,030
Insurance and Tax Expenses	4,890	3,346	6,500	6,360
Maintenance Expenses	584,253	603,178	828,350	867,350
TOTAL OPERATING EXPENSES	\$14,686,890	\$15,164,773	\$15,904,100	\$15,657,900
NET OPERATING INCOME	\$278,335	\$1,049,717	(\$2,181,250)	(\$847,500)
Non-Operating Income				
Investment Interest Income	18,244	13,361	0	0
FHA Risk Sharing Insurance	591,946	594,027	562,020	542,800
Transfer Between Funds	1,343,675	2,321,584	1,730,360	975,990
TOTAL NON-OPERATING INCOME	\$1,953,865	\$2,928,972	\$2,292,380	\$1,518,790
Non-Operating Expenses				
Interest Payment	25,879	55,190	46,900	40,370
Principal Payment	310,136	420,036	389,750	312,740
Operating and Replacement Reserves	534,214	1,490,020	200,000	50,000
Restricted Cash Flow	0	389,672	88,080	56,620
FHA Risk Sharing Insurance	591,946	594,027	562,020	542,800
Transfer Out Between Funds	734,676	778,465	330,020	956,060
TOTAL NON-OPERATING EXPENSES	\$2,196,851	\$3,727,410	\$1,616,770	\$1,958,590
NET NON-OPERATING ADJUSTMENTS	(\$242,986)	(\$798,438)	\$675,610	(\$439,800)
NET CASH FLOW	\$35,349	\$251,279	(\$1,505,640)	(\$1,287,300)

Operating Income and Operating Expenses—General Fund

Operating Income



Operating Expenses



Public Fund (Grants)—Income Summary

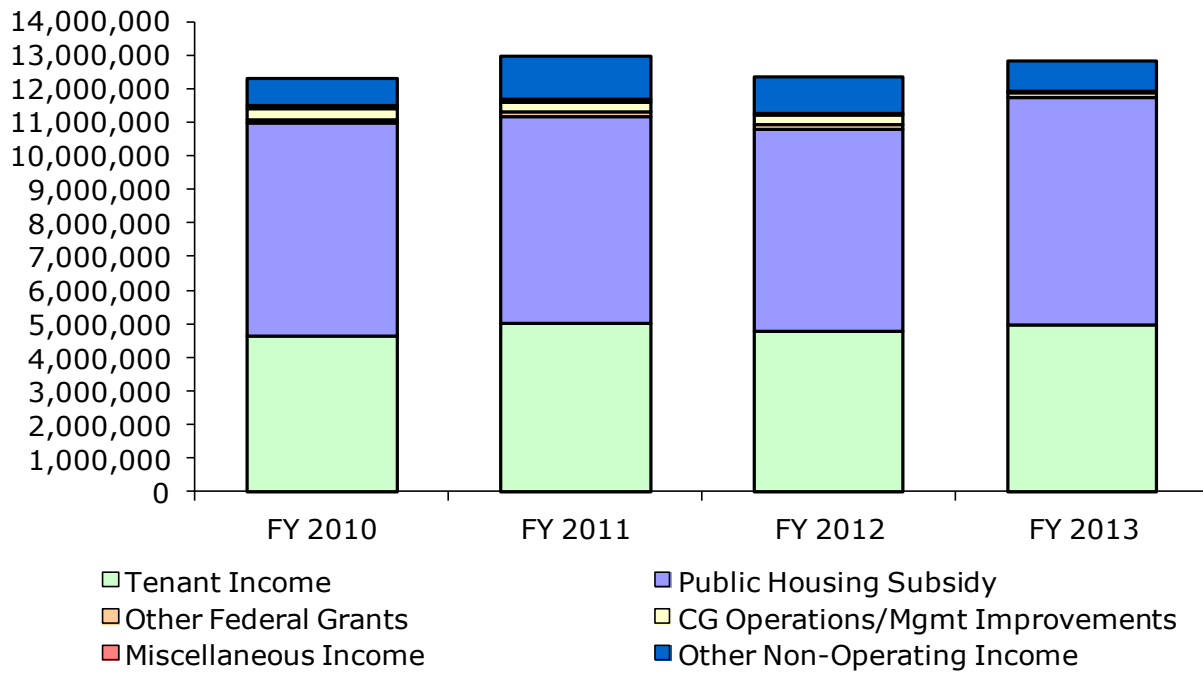
Public Fund	FY 2010	FY 2011	FY 2012	FY 2013
Federal, State and County Grants	Actual	Actual	Amended	Adopted
Income Summary			Budget	Budget
Federal Funds				
Comp Grant	1,003,102	1,009,068	1,225,830	826,830
Shelter Plus Care	507,872	528,569	668,500	653,780
Shelter Plus Care - New Neighbors	148,292	192,456	270,670	262,960
Shelter Plus Care - New Neighbors II	50,402	55,901	54,350	54,350
McKinney Grants	3,554,048	3,526,793	3,492,520	3,499,600
ROSS Grants	358,668	389,231	280,600	78,200
TOTAL - FEDERAL FUNDS	\$5,622,384	\$5,702,018	\$5,992,470	\$5,375,720
Federal Funds - Other				
Federal Home - RAP and RAP to Work	52,761	99,994	112,000	70,560
TOTAL - FEDERAL FUNDS (Other)	\$52,761	\$99,994	\$112,000	\$70,560
State & County Funds				
County Main Grant	6,026,234	5,770,036	5,513,840	5,583,230
County Senior Nutrition	40,395	39,165	41,600	43,390
County Closing Cost Assistance Program	228,000	54,619	143,330	148,660
Housing First	143,225	71,392	0	0
Rent Supplemental Programs	1,558,428	1,008,156	1,000,000	1,000,000
Preservation Property Program	262,620	267,683	0	0
Parent Resource Center	30,818	0	0	0
Service Coordinators - (Old SHRAP)	288,600	319,200	324,000	324,000
Turnkey	25,000	23,249	25,000	23,250
State RAP and RAP to Work	176,194	180,281	98,620	173,690
State Service Linked Housing	38,919	0	0	0
Service Linked Emergency Assistance	35,000	73,919	73,920	73,920
State Housing Counselor	33,224	36,916	36,920	36,920
State Emergency Assistance	71,480	71,480	71,480	71,480
TOTAL - STATE & COUNTY FUNDS	\$8,958,137	\$7,916,096	\$7,328,710	\$7,478,540
TOTAL PUBLIC FUNDS	\$14,633,282	\$13,718,108	\$13,433,180	\$12,924,820

Public Housing Rental—Revenue and Expense Statement

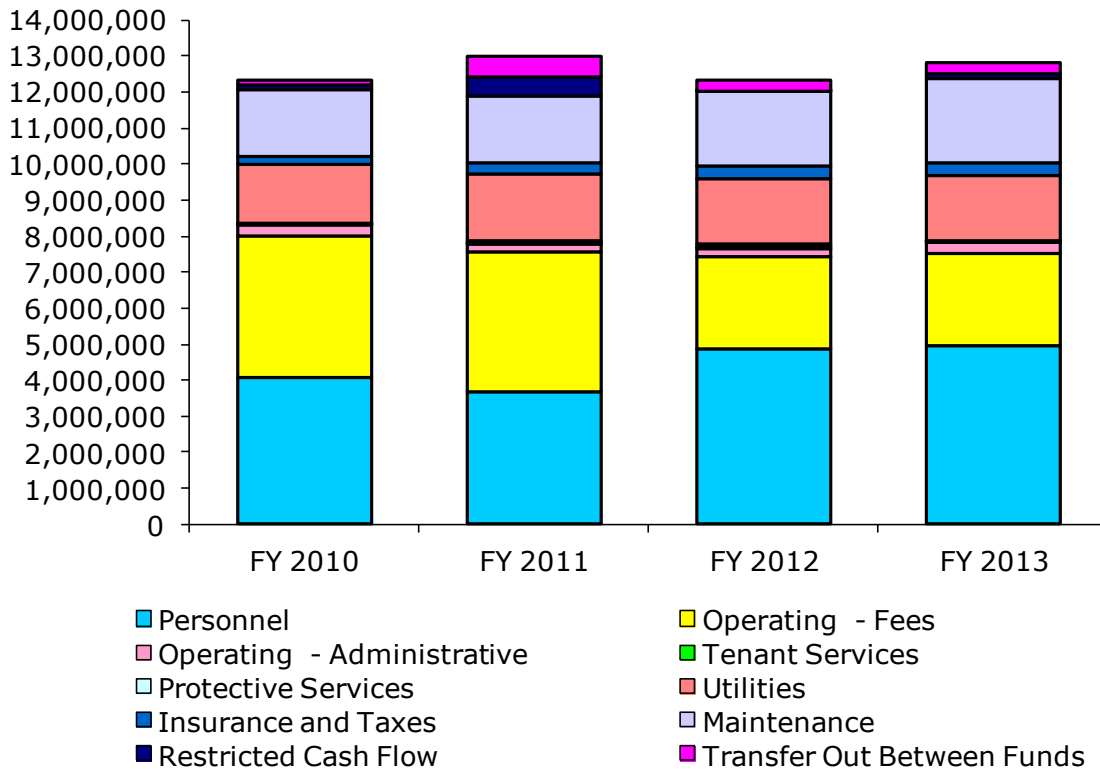
	FY 2010	FY 2011	FY 2012	FY 2013
Public Housing Rental	Actual	Actual	Amended Budget	Adopted Budget
Operating Income				
Tenant Income	4,634,776	4,990,422	4,790,360	4,955,420
Public Housing Operating Subsidy	6,315,962	6,156,392	5,977,440	6,774,680
Other Federal Grants	130,451	139,202	141,000	141,000
Miscellaneous Income	107,893	104,998	36,610	41,220
TOTAL OPERATING INCOME	\$11,189,082	\$11,391,014	\$10,945,410	\$11,912,320
Operating Expenses				
Personnel Expenses	4,051,888	3,642,586	4,845,260	4,937,000
Operating Expenses - Fees	3,954,676	3,900,561	2,557,080	2,577,710
Operating Expenses - Administrative	300,782	230,171	228,570	283,010
Tenant Services Expenses	4,891	3,392	38,300	38,750
Protective Services Expenses	50,709	62,578	81,410	41,850
Utilities Expenses	1,614,973	1,873,216	1,822,400	1,793,820
Insurance and Tax Expenses	231,822	309,705	341,380	358,870
Maintenance Expenses	1,866,272	1,841,540	2,082,900	2,333,490
TOTAL OPERATING EXPENSES	\$12,076,013	\$11,863,749	\$11,997,300	\$12,364,500
NET OPERATING INCOME	(\$886,931)	(\$472,735)	(\$1,051,890)	(\$452,180)
Non-Operating Income				
CG Operations/Mgmt Improvements	300,000	300,000	300,000	0
Investment Interest Income	(8,784)	(9,781)	(8,940)	(13,960)
Transfer Between Funds	827,525	1,290,040	1,097,520	930,470
TOTAL NON-OPERATING INCOME	\$1,118,741	\$1,580,259	\$1,388,580	\$916,510
Non-Operating Expenses				
Restricted Cash Flow	97,110	546,524	35,690	131,330
Transfer Out Between Funds	134,700	561,000	301,000	333,000
TOTAL NON-OPERATING EXPENSES	\$231,810	\$1,107,524	\$336,690	\$464,330
NET NON-OPERATING ADJUSTMENTS	\$886,931	\$472,735	\$1,051,890	\$452,180
NET CASH FLOW	\$0	\$0	\$0	\$0

Total Income and Total Expenses—Public Housing Rental

Total Income



Total Expenses



Public Housing Homeownership—Revenue and Expense Statement

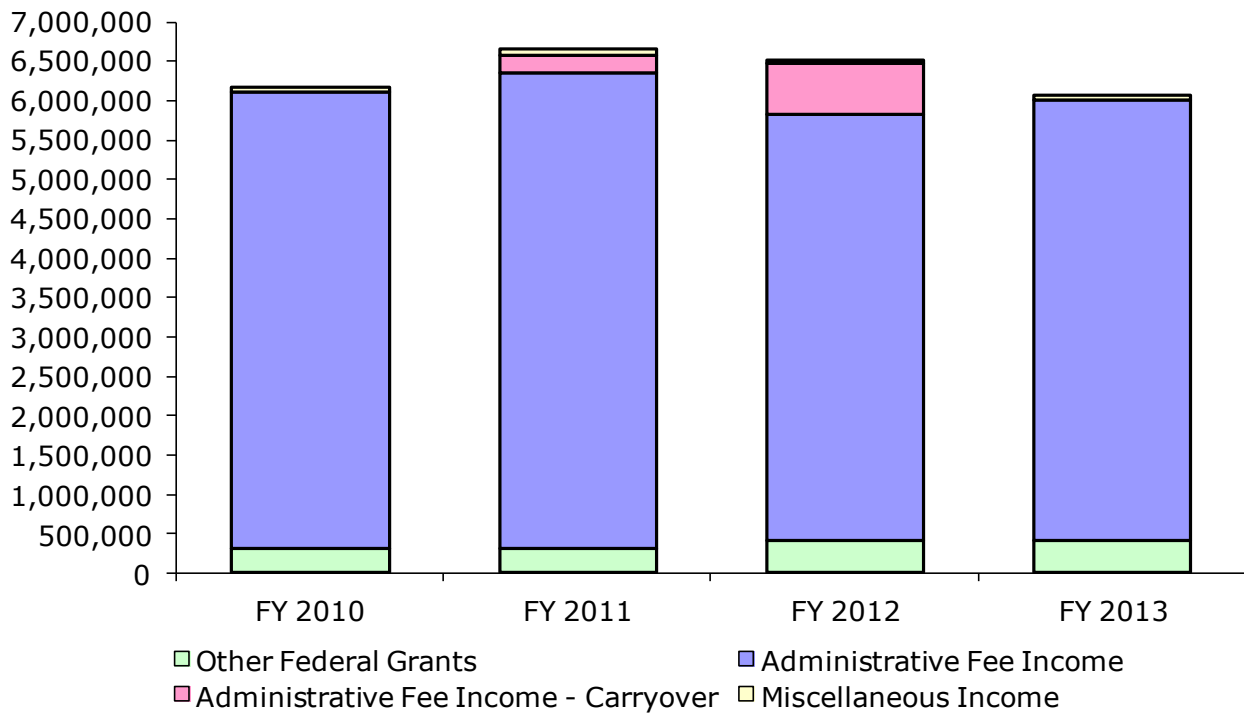
	FY 2010	FY 2011	FY 2012	FY 2013
Public Housing Homeownership	Actual	Actual	Amended Budget	Adopted Budget
Operating Income				
Tenant Income	14,391	17,389	14,060	12,460
Federal Grant	149,070	150,097	147,180	136,610
Miscellaneous Income	869	11,700	310	280
TOTAL OPERATING INCOME	\$164,330	\$179,186	\$161,550	\$149,350
Operating Expenses				
Personnel Expenses	48,742	78,658	84,310	34,550
Operating Expenses - Fees	17,994	17,610	10,380	10,260
Operating Expenses - Administrative	4,148	920	440	270
Protective Services Expenses	602	0	0	0
Utilities Expenses	27,325	21,374	23,470	24,180
Insurance and Tax Expenses	2,648	6,662	3,550	3,240
Maintenance Expenses	19,540	42,314	29,420	25,240
TOTAL OPERATING EXPENSES	\$120,999	\$167,538	\$151,570	\$97,740
NET OPERATING INCOME	\$43,331	\$11,648	\$9,980	\$51,610
Non-Operating Income				
Investment Interest Income	305	234	0	0
Transfer Between Funds - Rental License	494	380	380	300
TOTAL NON-OPERATING INCOME	\$799	\$614	\$380	\$300
NET NON-OPERATING ADJUSTMENTS	\$799	\$614	\$380	\$300
NET CASH FLOW	\$44,130	\$12,262	\$10,360	\$51,910

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

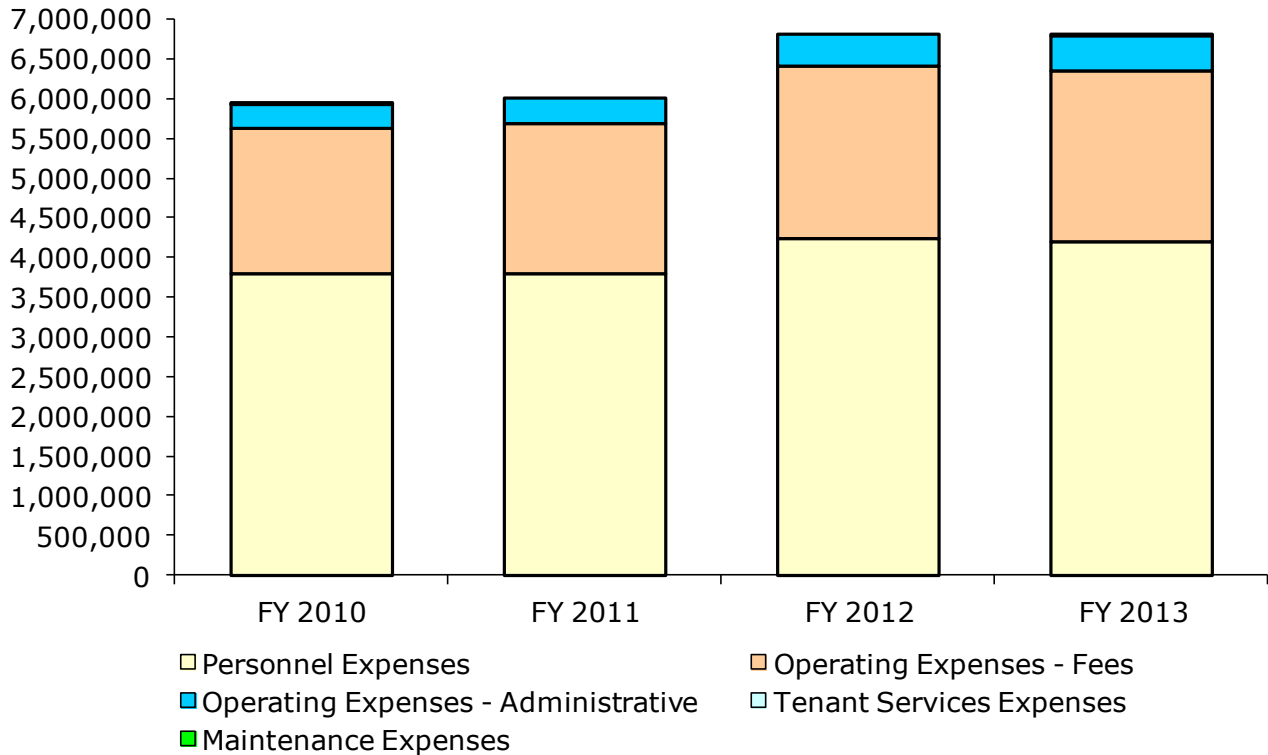
Housing Choice Voucher Program	FY 2010 Actual	FY 2011 Actual	FY 2012 Amended Budget	FY 2013 Adopted Budget
Operating Income				
Housing Assistance Payments (HAP)	70,575,425	74,889,862	74,563,580	77,916,170
Housing Assistance Payments (HAP) Reserve	0	0	0	0
Other Federal Grants	300,176	309,084	417,000	417,000
Administrative Fee Income	5,814,596	6,034,310	5,406,090	5,598,650
Administrative Fee Income - Carryover	0	239,070	650,000	0
Miscellaneous Income	61,872	74,060	50,000	50,000
TOTAL OPERATING INCOME	\$76,752,069	\$81,546,386	\$81,086,670	\$83,981,820
Operating Expenses				
Personnel Expenses	3,798,472	3,806,005	4,242,660	4,207,380
Operating Expenses - Fees	1,826,670	1,876,160	2,165,700	2,149,720
Operating Expenses - Administrative	312,401	330,557	407,100	449,800
Tenant Services Expenses	8	0	0	0
Maintenance Expenses	23	0	0	1,250
Housing Assistance Payments (HAP)	68,286,292	74,351,037	74,563,580	77,916,170
TOTAL OPERATING EXPENSES	\$74,223,866	\$80,363,759	\$81,379,040	\$84,724,320
NET OPERATING INCOME	\$2,528,203	\$1,182,627	(\$292,370)	(\$742,500)
Non-Operating Expenses				
Operating and Replacement Reserves	2,289,133	538,825	0	0
TOTAL NON-OPERATING EXPENSES	\$2,289,133	\$538,825	\$0	\$0
NET NON-OPERATING ADJUSTMENTS	(\$2,289,133)	(\$538,825)	\$0	\$0
NET CASH FLOW	\$239,070	\$643,802	(\$292,370)	(\$742,500)

Total Income and Total Expenses—HCV Program

Total Income w/o HAP



Total Expense w/o HAP

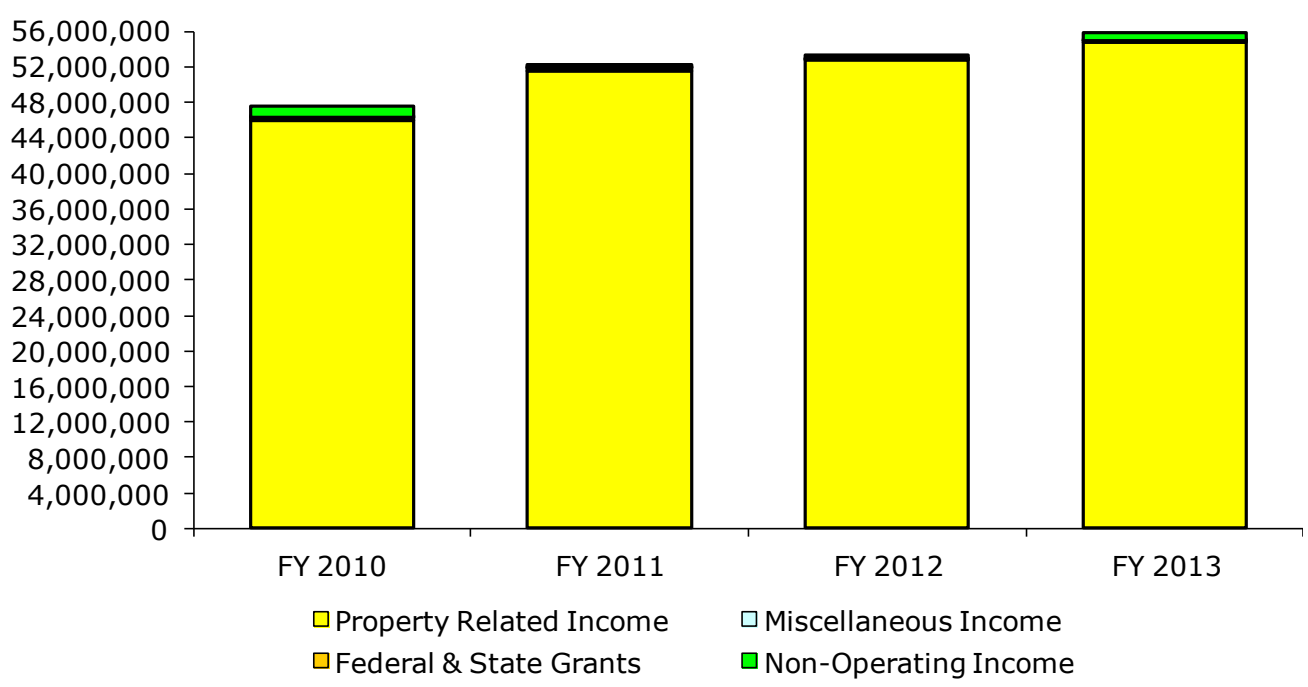


Opportunity Housing Fund and Development Corporations— Revenue and Expense Statement

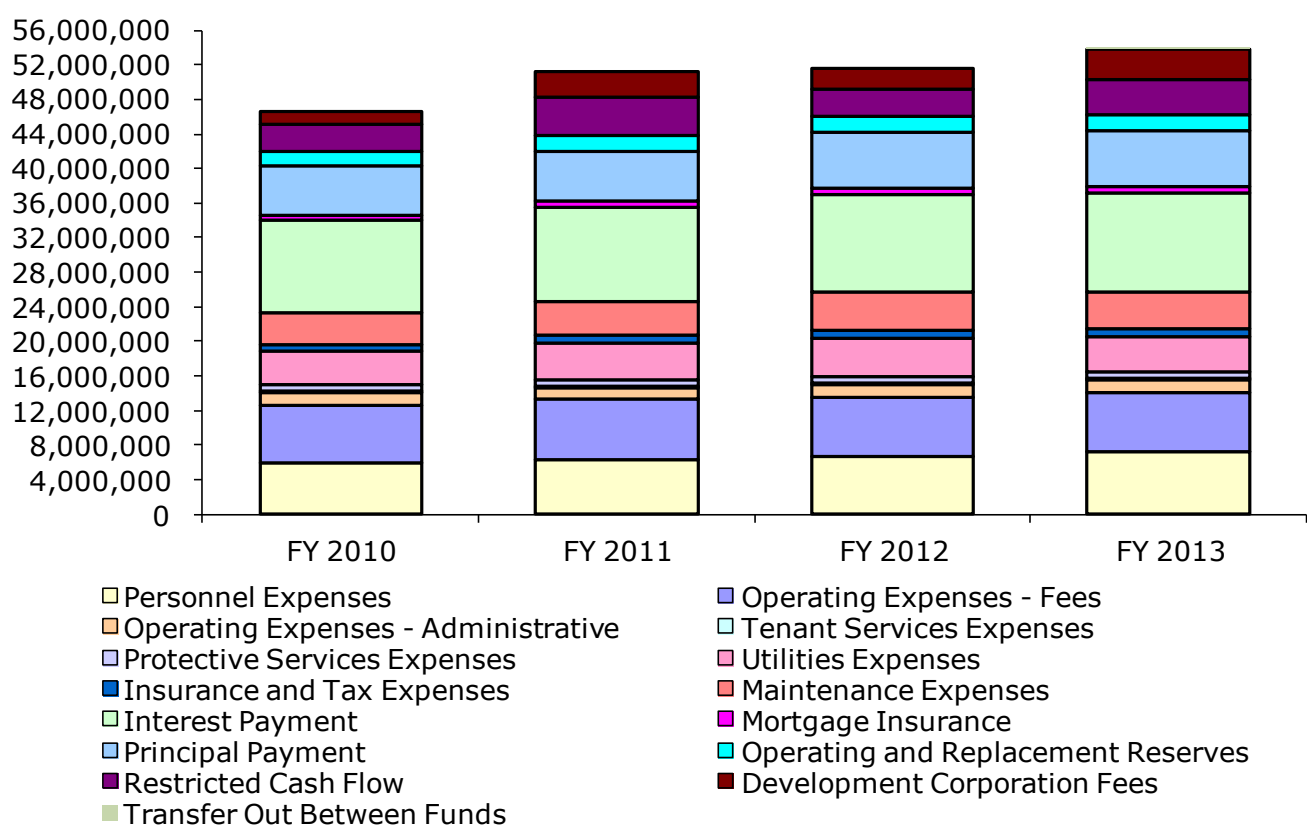
Opportunity Housing and Development Corporations	FY 2010 Actual	FY 2011 Actual	FY 2012 Amended Budget	FY 2013 Adopted Budget
Operating Income				
Tenant Income	45,531,591	51,072,709	52,123,780	54,214,300
Non-Dwelling Rental Income	463,895	480,165	577,130	594,850
Federal Grant	38,146	37,219	39,000	42,000
Miscellaneous Income	297,769	302,404	140,450	137,100
TOTAL OPERATING INCOME	\$46,331,401	\$51,892,497	\$52,880,360	\$54,988,250
Operating Expenses				
Personnel Expenses	5,983,745	6,361,716	6,658,720	7,152,610
Operating Expenses - Fees	6,667,487	6,939,204	6,875,510	6,853,740
Operating Expenses - Administrative	1,457,982	1,376,406	1,421,870	1,566,700
Tenant Services Expenses	191,313	190,326	216,440	205,010
Protective Services Expenses	724,622	732,358	699,090	595,050
Utilities Expenses	3,774,321	4,258,515	4,501,300	4,194,180
Insurance and Tax Expenses	729,593	813,805	955,100	945,500
Maintenance Expenses	3,770,065	3,950,043	4,340,790	4,190,990
TOTAL OPERATING EXPENSES	\$23,299,128	\$24,622,373	\$25,668,820	\$25,703,770
NET OPERATING INCOME	\$23,032,273	\$27,270,124	\$27,211,540	\$29,284,480
Non-Operating Income				
Investment Interest Income	(29,220)	(28,448)	(42,310)	(32,430)
Transfer Between Funds	1,177,317	323,106	520,580	811,770
TOTAL NON-OPERATING INCOME	\$1,148,097	\$294,658	\$478,270	\$779,340
Non-Operating Expenses				
Interest Payment	10,646,141	10,884,261	11,241,920	11,519,920
Mortgage Insurance	667,212	683,172	723,460	707,190
Principal Payment	5,755,107	5,781,909	6,480,030	6,353,760
Operating and Replacement Reserves	1,564,641	1,827,547	1,897,250	1,926,950
Restricted Cash Flow	3,181,348	4,366,097	3,166,200	3,986,280
Development Corporation Fees	1,482,181	3,095,939	2,382,940	3,526,600
Transfer Out Between Funds	0	0	0	13,320
TOTAL NON-OPERATING EXPENSES	\$23,296,630	\$26,638,925	\$25,891,800	\$28,034,020
NET NON-OPERATING ADJUSTMENTS	(\$22,148,533)	(\$26,344,267)	(\$25,413,530)	(\$27,254,680)
NET CASH FLOW	\$883,740	\$925,857	\$1,798,010	\$2,029,800

Total Income and Total Expenses— Opportunity and Development Corporations Portfolio

Total Income



Total Expenses



HOC Owned/Managed Properties—Net Cash Flow Statement

Opportunity Housing and Development Corps FY 2013 Operating Budget	Total		Net Operating Income	Annual Debt Services	Annual Escrow for RFR	Asset & Loan Management Fees		FY 2013 Projected Cash Flow		Development Corporations Fees	FY 2013 Net Cash Flow to HOC
	Operating Income	Total Operating Expenses				Restricted Cash Flow	Projected Cash Flow				
Alexander House	5,250,680	\$1,872,230	3,378,450	1,810,530	150,000	263,140	1,154,780	0	1,154,780	0	0
Ambassador	1,557,830	\$890,470	667,360	384,050	68,980	145,620	68,710	68,710	0	0	0
The Barclay	1,272,640	\$392,350	880,290	684,860	22,800	64,310	108,320	0	108,320	0	0
Brookside Glen (The Glen)	1,499,630	\$613,970	885,660	504,640	61,120	76,140	243,760	243,760	0	0	0
CDBG Units	37,590	\$21,120	16,470	0	16,470	0	0	0	0	0	0
Chelsea Towers	298,830	\$200,460	98,370	69,770	8,400	0	20,200	0	0	0	20,200
Chevy Chase Lake	1,194,440	\$484,380	710,060	536,220	34,000	57,540	82,300	0	82,300	0	0
Dale Drive	104,630	\$76,860	27,770	0	17,550	0	10,220	10,220	0	0	0
Diamond Square	1,166,710	\$776,470	390,240	119,400	105,040	20,550	145,250	145,250	0	0	0
Fairfax Court	283,250	\$96,310	186,940	56,580	26,820	15,230	88,310	0	0	0	88,310
Greenhills	1,171,950	\$436,750	735,200	318,560	105,390	76,500	234,750	0	0	0	234,750
Holiday Park	286,130	\$131,860	154,270	101,560	12,810	0	39,900	0	0	0	39,900
Jubilee Hermitage	37,750	\$22,770	14,980	0	2,010	0	12,970	0	0	0	12,970
Jubilee Woodedge	30,400	\$15,890	14,510	0	2,010	0	12,500	0	0	0	12,500
Jubilee Falling Creek	30,400	\$15,950	14,450	0	2,000	0	12,450	0	0	0	12,450
Magruder's Discovery	2,135,690	\$656,730	1,478,960	942,100	34,340	0	502,520	0	502,520	0	0
McHome	404,720	\$273,220	131,500	42,720	16,400	0	72,380	0	72,380	0	72,380
McKendree	232,080	\$119,940	112,140	0	11,200	0	100,940	25,230	0	0	75,710
MetroPoints	2,428,790	\$849,200	1,579,590	1,961,210	38,730	8,680	(429,030)	0	0	0	(429,030)
Metropolitan, The	6,785,480	\$1,920,310	4,865,170	2,322,940	97,200	59,430	2,385,600	2,211,700	173,900	0	0
Montgomery Arms	1,754,830	\$696,690	1,058,140	838,960	46,200	109,150	63,830	0	63,830	0	0
MHLP I	268,400	\$135,080	133,320	52,130	12,790	0	68,400	17,100	0	0	51,300
MHLP II	38,800	\$22,660	16,140	0	0	0	16,140	0	0	0	16,140
MHLP III	85,490	\$57,210	28,280	0	0	0	28,280	0	0	0	28,280
MPDU 2004	509,830	271,400	238,430	29,780	38,000	0	170,650	0	0	0	170,650
MPDU 2007 - Phase II	29,200	13,170	16,030	0	0	0	16,030	0	0	0	16,030
MPDU I (64)	834,850	453,140	381,710	231,520	27,540	0	122,650	0	0	0	122,650
TPM - MPDU II (59)	777,920	366,110	411,810	233,000	17,700	0	161,110	0	161,110	0	0
NCI Units	155,520	97,360	58,160	0	58,160	0	0	0	0	0	0
NSP Units	81,190	49,610	31,580	0	31,580	0	0	0	0	0	0

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

Opportunity Housing and Development Corps FY 2013 Operating Budget	Total		Net Operating Income	Annual Debt Services	Annual Escrow for RFR	Asset & Loan Management Fees	FY 2013 Projected Cash Flow		Development Corporations Fees	FY 2013 Net Cash Flow to HOC
	Operating Income	Operating Expenses					Restricted Cash Flow	Excess Cash Flow		
(Cont.)										
The Oaks @ Four Corners	1,187,430	711,170	476,260	287,030	48,000	101,530	39,700	39,700	0	0
Paddington Square	2,776,590	1,031,040	1,745,550	1,030,140	58,100	0	657,310	328,660	328,650	0
Paint Branch	155,990	110,420	45,570	31,880	8,400	0	5,290	5,290	0	0
TPM - Pomander Court	380,110	172,730	207,380	47,010	7,200	0	153,170	0	153,170	0
Pooks Hill Mid-Rise	863,130	295,730	567,400	364,610	55,860	42,310	104,620	0	0	104,620
Pooks Hill High-Rise	2,697,530	979,810	1,717,720	1,115,560	141,750	196,690	263,720	0	0	263,720
Scattered Site One	2,324,840	1,345,310	979,530	697,310	95,000	0	187,220	46,810	140,410	0
Sligo Hills/ MPDU III	855,270	567,300	287,970	234,650	23,790	0	29,530	0	29,530	0
State Rental Combined	1,711,370	1,520,070	191,300	0	87,100	0	104,200	104,200	0	0
Strathmore Court	3,407,110	1,096,200	2,310,910	1,209,000	53,770	127,760	920,380	233,140	0	687,240
Southbridge	378,660	279,530	99,130	0	10,800	0	88,330	88,330	0	0
Tanglewood	897,340	682,100	215,240	7,500	33,190	0	174,550	174,550	0	0
TPM-Timberlawn	1,861,590	643,840	1,217,750	472,380	26,750	90,540	628,080	0	628,080	0
Westwood Tower	4,278,260	1,841,450	2,436,810	1,843,270	212,000	179,380	202,160	202,160	0	0
TOTAL	\$54,520,870	\$23,306,370	\$31,214,500	\$18,580,870	\$1,926,950	\$1,634,500	\$9,072,180	\$3,944,810	\$3,526,600	\$1,600,770
From reserves planned to fund specific property operating deficits										
MetroPointe										
							429,030			\$429,030
Net Cash Flow - All Properties										
							\$9,501,210			\$2,029,800
Master Lease Properties FY 2013 Operating Budget	Total		Net Operating Income	Annual Debt Services	Annual Escrow for RFR	Asset & Loan Management Fees	FY 2012 Projected Cash Flow		Development Corporations Fees	FY 2012 Net Cash Flow to HOC
Operating Income	Operating Expenses	Excess Cash Flow					Restricted Cash Flow			
Avalon Bay	696,710	655,240	41,470	0	0	0	41,470	41,470	0	0
Palisades	120,990	120,990	0	0	0	0	0	0	0	0
TOTAL	\$817,700	\$776,230	\$41,470	\$0	\$0	\$0	\$41,470	\$41,470	\$0	\$0

Bond Program—Revenue and Expense Statement

Bond Fund	FY 2010	FY 2011	FY 2012	FY 2013
	Actual	Actual	Amended Budget	Adopted Budget
Operating Expenses				
Trustee Fees	86,285	58,114	90,700	84,690
Lender Services Fees	2,001,773	2,379,151	2,576,030	2,228,850
Loan Losses	0	70,404	0	0
TOTAL OPERATING EXPENSES	\$2,088,058	\$2,507,669	\$2,666,730	\$2,313,540
NET OPERATING INCOME	(\$2,088,058)	(\$2,507,669)	(\$2,666,730)	(\$2,313,540)
Non-Operating Income				
Investment Interest Income	36,314,418	38,565,239	37,316,600	37,268,690
Miscellaneous Income	69,426	74,825	87,340	67,910
TOTAL NON-OPERATING INCOME	\$36,383,844	\$38,640,064	\$37,403,940	\$37,336,600
Non-Operating Expenses				
Interest Payment	30,636,970	30,901,760	31,084,130	30,990,870
Operating and Replacement Reserves	2,343,016	4,116,231	2,635,430	2,969,210
Miscellaneous Bond Financing Expenses	1,315,800	1,114,404	1,017,650	1,062,980
TOTAL NON-OPERATING EXPENSES	\$34,295,786	\$36,132,395	\$34,737,210	\$35,023,060
NET NON-OPERATING ADJUSTMENTS	\$2,088,058	\$2,507,669	\$2,666,730	\$2,313,540
NET CASH FLOW	\$0	\$0	\$0	\$0

Section 2: **OPERATING**

Tab

Division Summaries

Adopted Budget
June 6, 2012

Agency Divisions

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

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

Special points of interest:

Operating Budget

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

Agency Revenues by Division

Division Summary	FY 2013		
	Adopted Budget		
	Revenues	Expenses	Net
Divisions			
Executive Division	0	8,266,690	(8,266,690)
Finance Division	5,000	4,088,410	(4,083,410)
Housing Management Division	75,941,180	71,975,210	3,965,970
Housing Resources Division	84,441,890	84,622,770	(180,880)
Mortgage Finance Division	5,237,860	3,754,570	1,483,290
Real Estate Development Division	993,470	725,180	268,290
Resident Services Division	10,896,060	11,048,560	(152,500)
SUB-TOTAL	\$177,515,460	\$184,481,390	(\$6,965,930)
Other Non-Divisions			
Agency Wide Revenue and Expenses	8,554,720	1,588,790	6,965,930
Bond Funds	37,336,600	37,336,600	0
TOTAL - ALL FUNDS	\$223,406,780	\$223,406,780	\$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);
- Employment Initiative Program (EIP);
- Family Resource Centers (FRC);
- Housing Programs for Homeless / Disabled Single Adults and Families, and
- Housing Counseling, Service Coordination, and Housing Search and Placement.

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

Executive Division

Adopted Budget
June 6, 2012

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

Program Objectives

Maintain a Quality Workforce

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

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

Ensure Compliance with EEO, and ADA Regulations

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

Continuous Improvement and Operational Efficiency of HOC

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

Facilities Management

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

Internal Audit

- Work with management to ensure a system is in place which ensures that all major risks of the Agency are identified and analyzed on an

annual basis.

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

Information Technology

- Provide and maintain a high quality, open architecture, service-based information technology infrastructure.
- 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.

Legislative and Public Affairs—

Government Relations Activities

- Develop and pursue a legislative agenda at all levels of government to secure more funding for housing production.
- Strengthen HOC's relationships with government at the local, state and federal levels.
- Collaborate with the Planning Board, County Government and the community on Master Plans and related activities to

create current and future opportunities for affordable housing.

- Assure effective involvement of HOC in the planning process, council, state and federal public hearings and civic and neighborhood meetings.
- Expand HOC's advocacy efforts through broader Commission, staff and resident participation.

Public Affairs Activities

- Raise public awareness of HOC's goals and accomplishments.
- Strengthen HOC's relationships with the community, industry, non-profit and for-profit housing organizations and develop new partners.
- Participate in housing and industry

conferences.

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

Housing Information Activities

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

Performance Measurement Results

Housing Information Activities (Formerly Housing Resource Services)

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

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

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

Housing Information Activities / Housing Resource Services					
Measurement	FY 2009	FY 2010	FY 2011	FY 2012 Estimate	FY 2013 Projection
Telephone calls from the public per day	64*	85*	79*	76*	76*
Information packets mailed per day	9	10	5	5	5
Lobby visitors each day	130	150	55*	55*	55 *
Website hits per day	544	617	650	685	750
E-mails received and answered per day	15	15	15	15	15

* Reflects activity in the Kensington Office only.

Information Technologies (IT)

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

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

Information Technologies					
Measurement	FY09	FY10	FY110	FY12	FY13
Number of Closed Help Desk Tickets	3,941	5,332	6,319	6,500 est.	6,500 est.

Budget Overview—Executive Division

The total Adopted FY 2013 Budget for the Executive Division is \$8.27 million, a decrease of 5.3% from the FY 2012 Amended Budget of \$7.85 million. Personnel costs comprise 52.8% of the budget. Operating expenses account for 20.2% of the budget. Maintenance and other miscellaneous expenses account for 12% of the budget. The

remaining 15.0% accounts for debt service expenses for the Information Technology and Facilities Capital Budget, and a property income contingency. **Please note that the FY 2013 Adopted Budget reflects changes as a result of the Agency re-organization.**

Revenue and Expense Statement

Executive Division	FY 2010 Actual	FY 2011 Actual	FY 2012 Amended Budget	FY 2013 Adopted Budget
Operating Income				
Management Fees	0	9,667	0	0
Miscellaneous Income	0	15,397	0	0
TOTAL OPERATING INCOME	\$0	\$25,064	\$0	\$0
Operating Expenses				
Personnel Expenses	4,080,071	4,253,117	4,350,590	4,362,450
Operating Expenses - Fees	94,137	131,042	134,640	136,000
Operating Expenses - Administrative	1,175,289	1,373,403	1,574,380	1,537,150
Tenant Services Expenses	11,675	24,250	14,380	18,330
Protective Services Expenses	48,230	46,932	50,000	49,000
Utilities Expenses	197,023	194,678	206,200	167,900
Insurance and Tax Expenses	2,670	2,006	4,000	4,270
Maintenance Expenses	491,329	494,844	698,550	751,800
TOTAL OPERATING EXPENSES	\$6,100,424	\$6,520,272	\$7,032,740	\$7,026,900
NET OPERATING INCOME	(\$6,100,424)	(\$6,495,208)	(\$7,032,740)	(\$7,026,900)
Non-Operating Income				
Investment Interest Income	0	386	0	0
Transfer Between Funds	15,826	249,266	25,000	0
TOTAL NON-OPERATING INCOME	\$15,826	\$249,652	\$25,000	\$0
Non-Operating Expenses				
Interest Payment	25,879	33,373	25,080	18,550
Principal Payment	310,136	420,036	389,750	312,740
Operating and Replacement Reserves	200,000	200,000	200,000	50,000
Restricted Cash Flow	0	358,656	0	0
Transfer Out Between Funds	630,350	467,404	205,000	858,500
TOTAL NON-OPERATING EXPENSES	\$1,166,365	\$1,479,469	\$819,830	\$1,239,790
NET NON-OPERATING ADJUSTMENTS	(\$1,150,539)	(\$1,229,817)	(\$794,830)	(\$1,239,790)
NET CASH FLOW	(\$7,250,963)	(\$7,725,025)	(\$7,827,570)	(\$8,266,690)

Finance Division

Adopted Budget
June 6, 2012

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	FY09	FY10	FY11	FY12	FY13
Received Standard Unqualified Audit Opinion:					
Agency Audit	Yes	Yes	Yes	NA	NA
HOC Owned Property Audits	Yes	Yes	Yes	NA	NA
Non-HOC Owned Property Audits	Yes	Yes	Yes	NA	NA
A-133 Audit	Yes	Yes	Yes	NA	NA
Number of consecutive years receiving GFOA Certificate of Achievement for Excellence in Financial Reporting	1	2	3	NA	NA

Budget					
Measurement	FY09	FY10	FY11	FY12	FY13
Number of consecutive years receiving GFOA Best Budget Award	5	6	7	8	NA

Procurement					
Measurement	FY09	FY10	FY11	FY12	FY13
Number of Contracts Awarded	226	194	264	275 (est.)	300 (est.)
Percent of Dollars issued to Minority/Female/Disabled-Outreach (MFD) firms	27%	22%	40%	25% (est.)	25% (est.)
Number of Purchase Orders (POs) issued	13,550	14,366	14,818	15,000 (est.)	15,500 (est.)

Budget Overview—Finance Division

The total Adopted FY 2013 Budget for the Finance Division is \$4.09 million, an increase of 11.8% from the FY 2012 Amended Budget of \$3.66 million. Personnel costs comprise 95.8% of total operating expenses. Fees and Administrative expenses account for the

balance of the budget. **Please note that the FY 2013 Adopted Budget reflects changes as a result of the Agency re-organization.**

Revenue and Expense Statement

Finance Division	FY 2010 Actual	FY 2011 Actual	FY 2012 Amended Budget	FY 2013 Adopted Budget
Operating Income				
Miscellaneous Income	8,461	7,466	10,000	5,000
TOTAL OPERATING INCOME	\$8,461	\$7,466	\$10,000	\$5,000
Operating Expenses				
Personnel Expenses	3,392,785	3,345,005	3,465,540	3,916,670
Operating Expenses - Fees	131,237	124,992	129,800	103,400
Operating Expenses - Administrative	87,786	74,883	62,990	67,590
Tenant Services Expenses	608	674	750	750
Insurance and Tax Expense	0	0	0	0
Maintenance Expenses	0	27	0	0
TOTAL OPERATING EXPENSES	\$3,612,416	\$3,545,581	\$3,659,080	\$4,088,410
NET OPERATING INCOME	(\$3,603,955)	(\$3,538,115)	(\$3,649,080)	(\$4,083,410)
Non-Operating Income				
Investment Interest Income	17,494	9,274	0	0
FHA Risk Sharing Insurance	591,946	0	0	0
TOTAL NON-OPERATING INCOME	\$609,440	\$9,274	\$0	\$0
Non-Operating Expenses				
FHA Risk Sharing Insurance	591,946	0	0	0
TOTAL NON-OPERATING EXPENSES	\$591,946	\$0	\$0	\$0
NET NON-OPERATING ADJUSTMENTS	\$17,494	\$9,274	\$0	\$0
NET CASH FLOW	(\$3,586,461)	(\$3,528,841)	(\$3,649,080)	(\$4,083,410)

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Housing Management Division

Adopted Budget
June 6, 2012

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

Mission Statement

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

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

Special points of interest:

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

Description

The Housing Management Division oversees a portfolio of 6,864 units consisting of 47 multifamily properties and 1,770 scattered site units. The Division is comprised of the Property Management Department which is responsible for managing 3,531 rental units and the Asset Management Department which is responsible for monitoring third-party management companies which manage 3,333 units.

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

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

The Division:

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

- Responds to emergency maintenance needs and ensures that all units are in good repair.
- Keeps the grounds and common areas clean and well appointed.
- Assures high satisfaction levels and services as required.
- Conducts annual resident satisfaction surveys.
- Delivers quality services to a diverse population with a variety of programs and housing types.

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

- Public Housing - ten multifamily properties and 712 scattered sites - 1,554 units.
- HUD Project Based Section 8 - six properties - 517 units.
- HUD Section 236 - six properties - 712 units (three are owned by non-profit corporations and three are owned by Tax Credit Partnerships).
- State Rental Partnership - 196 units.
- Low Income Housing Tax Credit (LIHTC) Programs - 17 different partnerships - 1,425 units.
- Scattered-site rental units located in over

275 communities - 1,770 units.

- Mixed Income Properties - 19 properties - 2,620 units.
- Senior Properties for Independent Living - nine properties - 1,113 units.
- Properties with Public Purpose at or below 60% AMI - 5,076 units or 74% of our total portfolio.
- Single Room Occupancy (SRO) - two properties - 286 units.
- Market Rate Units - 21 properties - 1,616 units.
- Contract Managed units for Montgomery County—5 units.

Properties in the portfolio that are not part of HOC's FY 2013 Operating Budget but are on a calendar year include:

- 712 Section 236 Units.
- 1,425 Tax Credit Units.

During FY 2012, the Division's Modernization Office was involved in designing, planning and administering over 100 construction/renovation projects with total budgets in excess of \$18 million. This total included over \$10 million in County Capital Improvements Program (CIP) funding for sprinklers and fire alarm upgrades to the elderly buildings, both public housing and 236 housing; \$4 million in HUD CFP funding for public housing; \$1.125 million in CIP funding for public housing renovation improvements; and \$2.2 million in DHCA weatherization improvements to Opportunity Housing and Public Housing properties; and \$665,000 in County/Maryland Energy Administration funded weatherization improvements to both Opportunity Housing and Public Housing.

Program Objectives

Utilization

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

Contribute to a Positive Housing Environment

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

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

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

Performance Measurement Results

Public Housing Management

In 1998, Congress authorized using the Public Housing Assessment System (PHAS) to assess the management performance of Public Housing Agencies (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.

In FY 2000 and FY 2001, HOC earned Standard Performer designations from HUD's reviews.

HOC achieved a high performer status for its PHAS scores, by earning at least 90 points, for FY 2002, FY 2003, and FY 2004. For FY 2005, HUD assigned HOC a score of 89 and designated HOC a standard performer. For FY 2006, FY 2007, and FY 2008, HOC was again able to achieve a ranking of high performer by increasing its physical and financial components.

In March of 2008, HUD issued Notice PIH 2008-18 that updated PHAs on proposed changes to PHAS. On August 21, 2008, HUD released a notice detailing its efforts to revise PHAS. The fiscal year ending June 30, 2008 was a transitional year in which HUD did not issue a new PHAS score. Due to this regulatory transition, HUD assigned carried over PHAS scores from FY 2007 to FY 2008.

After this transition, HUD reviewed HOC's data for FY 2009. HOC earned a Standard Performer designation for FY 2009.

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, is its first to be evaluated under the new rule.

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

A new component, based on HUD's review of the Capital Fund Program, is worth ten 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. The overall score of 84, while below HOC's historical marks, in part reflects the challenges HOC faces in preparing for the physical inspection regime implemented by REAC. HOC expects to improve its scores in the physical inspections component for FY 2012.

PHAS Score

PHAS Score								
PHAS Component	Actual Score FY 2009	Max Score FY 2009	Actual Score FY 2010	Max Score FY 2010	Actual Score FY 2011	Max Score FY 2011	Preliminary Score FY 2012	Max Score FY 2012
Physical	22.0	30.0	26.0	30.0	31.0	40.0	NA	40.0
Financial	28.0	30.0	28.0	30.0	22.0	25.0	NA	25.0
Management	26.0	30.0	27.0	30.0	21.0	25.0	NA	25.0
Resident <i>(included in Management in FY 2011 and beyond)</i>	9.0	10.0	9.0	10.0				
Capital Fund Program <i>(New FY 2011)</i>					10.0	10.0	NA	10.0
Overall	85.0	100.0	90.0	100.0	84.0	100.0	NA	100.0

Budget Overview—Housing Management—Administrative

The Adopted FY 2013 budgeted revenues for Housing Management Division Administration are \$6.37 million. Total expenses in the FY 2013 Operating Budget are \$3.31 million. Personnel costs comprise

78.9% of the operating budget. Other operating costs constitute 21.1% of the operating budget.

Revenue and Expense Statement

Housing Management Division Administration	FY 2010 Actual	FY 2011 Actual	FY 2012 Amended Budget	FY 2013 Adopted Budget
Operating Income				
County Grant	1,019,554	1,018,426	1,037,920	1,037,920
Management Fees	7,227,281	7,018,711	5,353,110	5,273,110
Miscellaneous Income	9,024	11,874	0	0
TOTAL OPERATING INCOME	\$8,255,859	\$8,049,011	\$6,391,030	\$6,311,030
Operating Expenses				
Personnel Expenses	2,989,977	2,946,346	2,615,480	2,614,290
Operating Expenses - Fees	312,664	295,446	258,690	268,380
Operating Expenses - Administrative	324,331	385,065	246,400	257,930
Tenant Services Expenses	153	115	0	0
Protective Services Expenses	5,720	5,594	1,000	2,500
Utilities Expenses	65,889	86,081	84,930	83,330
Insurance and Tax Expenses	2,220	1,340	2,500	2,090
Maintenance Expenses	73,158	74,187	98,050	84,050
TOTAL OPERATING EXPENSES	\$3,774,112	\$3,794,174	\$3,307,050	\$3,312,570
NET OPERATING INCOME	\$4,481,747	\$4,254,837	\$3,083,980	\$2,998,460
Non-Operating Income				
Investment Interest Income	511	666	0	0
Transfer Between Funds	0	0	0	57,250
TOTAL NON-OPERATING INCOME	\$511	\$666	\$0	\$57,250
Non-Operating Expenses				
Operating and Replacement Reserves	164,965	0	0	0
Restricted Cash Flow	0	31,016	104,430	56,620
Transfer Out Between Funds	1,097,917	1,112,263	1,150,400	1,062,920
TOTAL NON-OPERATING EXPENSES	\$1,262,882	\$1,143,279	\$1,254,830	\$1,119,540
NET NON-OPERATING ADJUSTMENTS	(\$1,262,371)	(\$1,142,613)	(\$1,254,830)	(\$1,062,290)
NET CASH FLOW	\$3,219,376	\$3,112,224	\$1,829,150	\$1,936,170

Budget Overview—Housing Management— Elderly Properties

The Adopted FY 2013 budgeted revenues for elderly properties are \$5.65 million. The total expenses in the FY 2013 Operating Budget

are \$5.03 million. Non-operational expenses are \$.62 million.

Revenue and Expense Statement

Housing Management Division Elderly Properties	FY 2010 Actual	FY 2011 Actual	FY 2012 Amended Budget	FY 2013 Adopted Budget
Operating Income				
Tenant Income	2,789,484	2,874,544	2,792,710	2,876,190
Non-Dwelling Rental Income	600	0	0	0
Federal Grant	2,234,596	2,267,844	2,180,620	2,620,220
Management Fees	41,336	7,034	6,070	5,440
Miscellaneous Income	29,789	60,648	31,600	32,000
TOTAL OPERATING INCOME	\$5,095,805	\$5,210,070	\$5,011,000	\$5,533,850
Operating Expenses				
Personnel Expenses	1,418,160	1,347,560	1,789,020	1,818,510
Operating Expenses - Fees	1,057,886	1,039,160	745,910	750,980
Operating Expenses - Administrative	108,032	92,187	90,370	93,510
Tenant Services Expenses	43,324	38,160	56,890	57,540
Protective Services Expenses	17,701	27,395	47,450	44,950
Utilities Expenses	1,254,433	1,444,055	1,408,520	1,369,650
Insurance and Tax Expenses	70,868	77,098	87,920	96,830
Maintenance Expenses	676,910	527,983	671,620	801,330
TOTAL OPERATING EXPENSES	\$4,647,314	\$4,593,598	\$4,897,700	\$5,033,300
NET OPERATING INCOME	\$448,491	\$616,472	\$113,300	\$500,550
Non-Operating Income				
Investment Interest Income	(4,674)	(5,655)	(3,120)	(6,120)
Transfer Between Funds	175,650	360,280	359,420	120,650
TOTAL NON-OPERATING INCOME	\$170,976	\$354,625	\$356,300	\$114,530
Non-Operating Expenses				
Interest Payment	178,885	172,687	166,090	159,060
Mortgage Insurance	13,663	14,595	13,000	12,580
Principal Payment	95,567	101,765	108,370	115,390
Operating and Replacement Reserves	48,000	48,000	48,000	48,000
Restricted Cash Flow	148,652	318,050	0	136,050
Transfer Out Between Funds	134,700	316,000	301,000	144,000
TOTAL NON-OPERATING EXPENSES	\$619,467	\$971,097	\$636,460	\$615,080
NET NON-OPERATING ADJUSTMENTS	(\$448,491)	(\$616,472)	(\$280,160)	(\$500,550)
NET CASH FLOW	\$0	\$0	(\$166,860)	\$0

Budget Overview—Housing Management— Family Properties

The Adopted FY 2013 budgeted revenues for family properties are \$48.56 million. The total expenses in the FY 2013 Operating Budget

are \$21.9 million. Non-operational expenses are \$25.27 million. Net Cash Surplus will be \$1,388,280.

Revenue and Expense Statement

Housing Management Division Family Properties	FY 2010 Actual	FY 2011 Actual	FY 2012 Amended Budget	FY 2013 Adopted Budget
Operating Income				
Tenant Income	37,484,406	41,676,211	43,051,720	45,000,750
Non-Dwelling Rental Income	463,295	480,165	577,130	594,850
Federal Grant	1,687,020	1,552,703	1,581,390	1,677,270
Management Fees	180,310	40,592	39,240	35,460
Miscellaneous Income	116,246	208,079	100,260	105,070
TOTAL OPERATING INCOME	\$39,931,277	\$43,957,750	\$45,349,740	\$47,413,400
Operating Expenses				
Personnel Expenses	5,396,868	5,608,612	6,223,370	6,642,160
Operating Expenses - Fees	3,688,381	3,679,907	3,905,840	3,924,700
Operating Expenses - Administrative	1,445,206	1,374,333	1,308,440	1,457,800
Tenant Services Expenses	152,100	153,928	180,600	168,800
Protective Services Expenses	758,232	767,542	733,050	591,940
Utilities Expenses	4,042,235	4,583,748	4,819,640	4,499,860
Insurance and Tax Expenses	545,438	654,239	709,660	703,840
Maintenance Expenses	3,627,258	3,830,400	4,042,950	3,913,520
TOTAL OPERATING EXPENSES	\$19,655,718	\$20,652,709	\$21,923,550	\$21,902,620
NET OPERATING INCOME	\$20,275,559	\$23,305,041	\$23,426,190	\$25,510,780
Non-Operating Income				
Investment Interest Income	(25,274)	(21,707)	(36,260)	(25,240)
Transfer Between Funds	1,161,833	615,756	642,180	1,175,360
TOTAL NON-OPERATING INCOME	\$1,136,559	\$594,049	\$605,920	\$1,150,120
Non-Operating Expenses				
Interest Payment	9,749,193	10,058,231	10,416,180	10,327,690
Mortgage Insurance	628,760	644,653	687,450	672,420
Principal Payment	5,367,966	5,358,034	5,928,200	5,873,820
Operating and Replacement Reserves	1,219,006	1,285,154	1,414,040	1,436,600
Restricted Cash Flow	2,514,865	3,619,976	3,028,410	3,766,520
Development Corporation Fees	1,410,480	2,977,858	2,175,440	3,195,570
TOTAL NON-OPERATING EXPENSES	\$20,890,270	\$23,943,906	\$23,649,720	\$25,272,620
NET NON-OPERATING ADJUSTMENTS	(\$19,753,711)	(\$23,349,857)	(\$23,043,800)	(\$24,122,500)
NET CASH FLOW	\$521,848	(\$44,816)	\$382,390	\$1,388,280

Budget Overview—Housing Management— Scattered Site Properties

The Adopted FY 2013 budgeted revenues for scattered-site properties are \$13.72 million. The total expenses in the FY 2013 Operating Budget

are \$10.47 million. Non-operational expenses are \$2.61 million. Net Cash Surplus will be \$641,520.

Revenue and Expense Statement

Housing Management Division Scattered Site Properties	FY 2010 Actual	FY 2011 Actual	FY 2012 Amended Budget	FY 2013 Adopted Budget
Operating Income				
Tenant Income	9,268,748	10,876,035	10,423,200	10,500,330
Federal Grant	2,712,013	2,662,364	2,542,610	2,796,800
Management Fees	3,850	763	0	430
Miscellaneous Income	35,001	101,985	200	200
TOTAL OPERATING INCOME	\$12,019,612	\$13,641,147	\$12,966,010	\$13,297,760
Operating Expenses				
Personnel Expenses	3,239,478	3,096,696	3,544,790	3,641,910
Operating Expenses - Fees	5,213,139	5,444,703	4,082,750	4,032,890
Operating Expenses - Administrative	207,084	134,202	246,860	292,590
Tenant Services Expenses	780	1,630	17,250	17,420
Utilities Expenses	117,734	125,117	118,460	141,350
Insurance and Tax Expenses	347,760	398,834	502,460	506,940
Maintenance Expenses	1,351,110	1,475,514	1,738,190	1,834,070
TOTAL OPERATING EXPENSES	\$10,477,085	\$10,676,696	\$10,250,760	\$10,467,170
NET OPERATING INCOME	\$1,542,527	\$2,964,451	\$2,715,250	\$2,830,590
Non-Operating Income				
Investment Interest Income	(7,295)	(10,093)	(11,490)	(14,500)
Transfer Between Funds	889,490	860,021	831,390	433,210
TOTAL NON-OPERATING INCOME	\$882,195	\$849,928	\$819,900	\$418,710
Non-Operating Expenses				
Interest Payment	718,063	653,342	659,650	1,033,170
Mortgage Insurance	24,789	23,924	23,010	22,190
Principal Payment	291,573	322,110	443,470	364,540
Operating and Replacement Reserves	341,765	494,393	435,210	442,350
Restricted Cash Flow	614,940	986,857	148,150	225,490
Development Corporation Fees	71,701	118,081	207,490	331,040
Transfer Out Between Funds	0	245,000	0	189,000
TOTAL NON-OPERATING EXPENSES	\$2,062,831	\$2,843,707	\$1,916,980	\$2,607,780
NET NON-OPERATING ADJUSTMENTS	(\$1,180,636)	(\$1,993,779)	(\$1,097,080)	(\$2,189,070)
NET CASH FLOW	\$361,891	\$970,672	\$1,618,170	\$641,520

Master Lease Properties—Revenue and Expense Statement

	FY 2010	FY 2011	FY 2012	FY 2013
Housing Management Division	Actual	Actual	Amended	Adopted
Master Lease Properties			Budget	Budget
Operating Income				
Tenant Income	638,120	653,729	660,560	804,910
TOTAL OPERATING INCOME	\$638,120	\$653,729	\$660,560	\$804,910
Operating Expenses				
Personnel Expenses	29,869	30,092	31,110	21,580
Operating Expenses - Fees	680,752	693,606	708,470	774,600
Operating Expenses - Administrative	2,590	6,774	5,200	6,080
Utilities Expenses	2,216	186	550	1,330
Maintenance Expense	599	0	340	790
TOTAL OPERATING EXPENSES	\$716,026	\$730,658	\$745,670	\$804,380
NET OPERATING INCOME	(\$77,906)	(\$76,929)	(\$85,110)	\$530
Non-Operating Income				
Investment Interest Income	(457)	(540)	(370)	(530)
Transfer Between Funds	78,363	77,469	85,480	13,320
TOTAL NON-OPERATING INCOME	\$77,906	\$76,929	\$85,110	\$12,790
Non-Operating Expenses				
Transfer Out Between Funds	0	0	0	13,320
TOTAL NON-OPERATING EXPENSES	\$0	\$0	\$0	\$13,320
NET NON-OPERATING ADJUSTMENTS	\$77,906	\$76,929	\$85,110	(\$530)
NET CASH FLOW	\$0	\$0	\$0	\$0

Capital Fund Program—Revenue and Expense Statement

	FY 2010	FY 2011	FY 2012	FY 2013
Housing Management Division	Actual	Actual	Amended	Adopted
Capital Fund Program			Budget	Budget
Operating Income				
Federal Grant	1,003,102	1,009,068	1,225,830	826,830
TOTAL OPERATING INCOME	\$1,003,102	\$1,009,068	\$1,225,830	\$826,830
Operating Expenses				
Personnel Expenses	429,882	555,882	508,300	409,250
Operating Expenses - Administrative	234,817	197,003	105,000	105,000
TOTAL OPERATING EXPENSES	\$664,699	\$752,885	\$613,300	\$514,250
NET OPERATING INCOME	\$338,403	\$256,183	\$612,530	\$312,580
Non-Operating Income				
Transfer Between Funds	0	43,817	0	0
TOTAL NON-OPERATING INCOME	\$0	\$43,817	\$0	\$0
Non-Operating Expenses				
Interest Payment	0	0	312,530	312,580
Operating and Replacement Reserves	38,403	0	0	0
Transfer Out Between Funds	300,000	300,000	300,000	0
TOTAL NON-OPERATING EXPENSES	\$338,403	\$300,000	\$612,530	\$312,580
NET NON-OPERATING ADJUSTMENTS	(\$338,403)	(\$256,183)	(\$612,530)	(\$312,580)
NET CASH FLOW	\$0	\$0	\$0	\$0

Housing Resources Division

Adopted Budget
June 6, 2012

Mission Statement

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

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

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

Special points of interest:

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

Description

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

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

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

Program Objectives

- To improve customer service and program operations through better utilization of staff and technology.
- To 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 2012 HUD funding allocation and effectively serve as many program-eligible families as possible.
- To provide expert information to members of the Agency staff on federally regulated programs.
- To ensure HOC's compliance, for both the programs and clients, with the U.S. Department of Housing and Urban Development regulations.

Performance Measurement Results

SEMAP

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

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

- Evaluate whether the housing authority advances fair housing opportunities.

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

HOC was ranked a standard performer in 2009, earning 110 points out of 145 for a score of 76%. HOC was again ranked a standard performer in 2010 receiving 125 points out of 145 for an overall rating of 86%. In 2011, HOC returned to high performer receiving 130 points out of 145 for an overall rating of 90%. HOC maintained its high performance rating in 2012, increasing the total points received from 130 to 140 out of 145 for an overall 97%. The increase resulted from restoring the 10 points for Housing Quality Standards (HQS) Enforcement.

SEMAP Score

SEMAP Component	Actual Score FY 2009	Max Score FY 2009	Actual Score FY 2010	Max Score FY 2010	Actual Score FY 2011	Max Score FY 2011	Preliminary Score FY 2012	Max Score FY 2012
Selection from the Waiting List	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Reasonable Rent	0.0	20.0	0.0	20.0	15.0	20.0	15.0	20.0
Adjusted Income Determination	0.0	20.0	15.0	20.0	15.0	20.0	15.0	20.0
Utility Allowance Schedule	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
HQS Quality Control Inspection	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
HQS Enforcement	10.0	10.0	10.0	10.0	0.0	10.0	10.0	10.0
Expanding Housing Opportunities	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Fair Market Rent "FMR" Limit and Payment Standard (PS)	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Annual Re-examination	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Correct Tenant Rent Calculations	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Pre-Contract Housing Quality Standards (HQS) Inspections	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Annual HQS Inspections	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Lease-Up	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Family Self-Sufficiency (FSS) Enrollment with Escrow Accounts	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Program Subtotal	105.0	145.0	120.0	145.0	125.0	145.0	135.0	145.0
Deconcentration Bonus *	5.0		5.0		5.0		5.0	
Overall	110.0	145.0	125.0	145.0	130.0	145.0	140.0	145.0

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

Budget Overview—Housing Resources Division

Total projected operating expenses in the FY 2013 Adopted Budget for the Housing Resources Division not related to HAP are \$6.59 million. Personnel costs comprise

57.7% of the budget. Other expenses account for the remaining 42.3% of the budget.

Revenue and Expense Statement

Housing Resources Division	FY 2010 Actual	FY 2011 Actual	FY 2012 Amended Budget	FY 2013 Adopted Budget
Operating Income				
Tenant Income	428	27	0	0
Non-Dwelling Rental Income	122,890	148,068	50,000	50,000
Federal Grant	76,328,575	80,850,138	79,969,670	83,514,820
County Grant	332,918	741,023	752,230	759,160
TOTAL OPERATING INCOME	\$76,784,811	\$81,739,256	\$80,771,900	\$84,323,980
Operating Expenses				
Personnel Expenses	3,362,705	3,433,733	3,825,740	3,802,200
Operating Expenses - Fees	2,013,627	2,052,712	2,460,760	2,413,330
Operating Expenses - Administrative	266,619	271,836	307,060	316,760
Tenant Services Expenses	(416)	0	0	0
Protective Services	2,874	7,369	3,800	3,850
Utilities Expenses	13,971	14,037	19,800	19,800
Maintenance Expenses	19,779	34,119	31,750	32,750
Housing Assistance Payments (HAP)	68,286,292	74,351,037	74,563,580	77,916,170
TOTAL OPERATING EXPENSES	\$73,965,451	\$80,164,843	\$81,212,490	\$84,504,860
NET OPERATING INCOME	\$2,819,360	\$1,574,413	(\$440,590)	(\$180,880)
Non-Operating Income				
Transfer Between Funds	549,766	339,070	750,000	117,910
TOTAL NON-OPERATING INCOME	\$549,766	\$339,070	\$750,000	\$117,910
Non-Operating Expenses				
Operating and Replacement Reserves	2,528,202	1,182,627	0	0
Transfer Out Between Funds	100,000	100,000	100,000	117,910
TOTAL NON-OPERATING EXPENSES	\$2,628,202	\$1,282,627	\$100,000	\$117,910
NET NON-OPERATING ADJUSTMENTS	(\$2,078,436)	(\$943,557)	\$650,000	\$0
NET CASH FLOW	\$740,924	\$630,856	\$209,410	(\$180,880)

Mortgage Finance Division

Adopted Budget
June 6, 2012

Mission Statement

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

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

Special points of interest:

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

Description

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

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

Program Objectives

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

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

Multifamily Programs

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

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

Multifamily Underwriting and Loan Origination

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

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

Portfolio Management

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

Single Family Programs

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

- Completing one or two bond issues per year, which generate funds to make approximately 125 first mortgages to first time homebuyers.

- Overseeing the servicing of the active loan portfolio of approximately 1,460 first mortgages by 12 servicers and approximately 350 County closing cost assistance loans.
- Operating the HOC Homeownership Program (HOC/HOP) which prepares HOC residents for homeownership by providing direct counseling and homebuyer education classes.
- Managing the lending process for the Housing Choice Voucher Homeowner participants.

- Administering 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.

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

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

Warehousing

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

HOC Homeownership Programs

- Annually, assist approximately 62 families that are currently residing in HOC assisted housing to purchase their first home (541 families since the inception of the program).
- Provide training, budgeting, homes to purchase, and educational opportunities to residents who are preparing to become homeowners.
- Administer Federal and local programs that provide purchase opportunities for HOC residents.

Performance Measurement Results

Multifamily Bond Issuance

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

Traditionally, the Commission supports

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

Since FY 2009, 1,688 units were financed or refinanced in order to achieve a public purpose of 747 affordable units. Stated differently, 44% of the units provided some level of public purpose. With projected activities for the remainder of FY 2012 and FY 2013, the multifamily program would have been involved with the financing or refinancing of 2,382 units (1,131 affordable units or 47.5%) since FY2009.

Multifamily Bond Issuance					
	FY 2009	FY 2010	FY 2011	FY 2012 Projection	FY 2013 Projection
Number of Loans	2	4	2	5	6
Total Units	354	1,043	291	694	746
Total Affordable Units	234	335	178	384	487
% of Affordable Units	66%	32%	61%	55%	65%
Total Bond Issuance	\$42,950,000	\$90,005,000	\$63,750,000	\$69,450,000	\$61,820,000
% of Area Median Income Served	30%-60%	30%-80%	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 2009	FY 2010	FY 2011	FY 2012 Projection	FY 2013 Projection
Number of Bond Issues	1	1	2	2	1
Total Available Bond Proceeds (\$ millions)	\$20	\$25	\$15	\$31	\$25
Loans Made	133	205	152	100	120
Average Loan	\$238,699	\$215,496	\$208,812	\$205,000	\$206,000
Average Income	\$65,182	\$71,915	\$70,090	N/A	N/A
% of Median	65.8%	70.0%	66.1%	N/A	N/A
Median *	\$99,000	\$102,700	\$106,100	\$107,500	N/A
Number of Closing Cost Loans	52	84	90	75	100
Total Closing Cost Provided	\$433,345	\$705,733	\$1,000,000	\$615,000	\$830,000

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

Budget Overview—Mortgage Finance

The total Adopted FY 2013 budgeted revenues for the Mortgage Finance Division are \$5.24 million. Total expenses in the FY 2013 Budget are \$3.75 million. Personnel costs comprise 55.0% of the budget. Operating expenses and

other miscellaneous expenses account for 30.2% of the budget, while non-operating expenses account for the remaining 14.8%. FHA Risk Sharing Insurance is a pass through expense with offsetting income.

Revenue and Expense Statement

Mortgage Finance Division	FY 2010 Actual	FY 2011 Actual	FY 2012 Amended Budget	FY 2013 Adopted Budget
Operating Income				
County Grant	228,000	54,619	143,330	148,650
Management Fees	1,540,245	1,795,735	1,535,700	1,621,290
Miscellaneous Income	17,500	23,132	7,500	7,500
TOTAL OPERATING INCOME	\$1,785,745	\$1,873,486	\$1,686,530	\$1,777,440
Operating Expenses				
Personnel Expenses	1,970,083	1,892,837	1,985,390	2,066,400
Operating Expenses - Fees	780,610	827,680	868,710	903,320
Operating Expenses - Administrative	152,346	157,597	202,200	220,780
Tenant Services Expenses	83	0	0	0
Maintenance Expenses	7,325	13,668	8,500	8,540
TOTAL OPERATING EXPENSES	\$2,910,447	\$2,891,782	\$3,064,800	\$3,199,040
NET OPERATING INCOME	(\$1,124,702)	(\$1,018,296)	(\$1,378,270)	(\$1,421,600)
Non-Operating Income				
FHA Risk Sharing Insurance	0	594,027	562,020	542,800
Transfer Between Funds	2,596,506	2,713,053	2,796,720	2,917,620
TOTAL NON-OPERATING INCOME	\$2,596,506	\$3,307,080	\$3,358,740	\$3,460,420
Non-Operating Expenses				
Mortgage Insurance	17,339	15,049	14,880	12,730
FHA Risk Sharing Insurance	0	594,027	562,020	542,800
Restricted Cash Flow	87,068	0	0	0
TOTAL NON-OPERATING EXPENSES	\$104,407	\$609,076	\$576,900	\$555,530
NET NON-OPERATING ADJUSTMENTS	\$2,492,099	\$2,698,004	\$2,781,840	\$2,904,890
NET CASH FLOW	\$1,367,397	\$1,679,708	\$1,403,570	\$1,483,290

Real Estate Division

Adopted Budget
June 6, 2012

Mission Statement

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

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

Special points of interest:

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

Description

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

The Division acquires existing multifamily housing to 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-, 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.

HOC has been awarded a \$1.29 million annual allocation of 9% Low Income Housing Tax Credits (LIHTC) from the Maryland Department of Housing and Community Development which can be expected to generate \$12.4 million in equity for the refinancing and substantial renovation of 132 units at Tanglewood and Sligo Hills Apartments in Silver Spring. HOC expects to create a new limited partnership entity and to close on the financing including new debt and LIHTC equity by September 2012. Construction is expected to begin by late 2012 and be completed by year-end 2013.

Renovations are expected to be complete by late 2012 at Southbridge on Aspen Court in Takoma Park. Southbridge, a three-building community with 39 units, is expected to be leased to a mix of 19 market-rate and 20 low-income qualifying families earning 50% of Area Median Income or below as required by the Montgomery County Department of Housing and

Community Affairs (DHCA) which has provided the construction financing for this project. HOC will seek permanent financing of the property upon stabilization in FY 2013.

Real Estate anticipates closing on a bond refinancing by July 2012 of 190 scattered site townhomes and condominiums owned by HOC and originally developed as MPDUs. The proceeds will provide funds to refinance outstanding indebtedness and renovate most of the units. The units to be financed in this transaction will offer units that will serve households earning less than 50% and 60% the Area Median Income.

During FY 2012, Real Estate began to develop plans to renovate the 162-unit development known as The Ambassador, located in Wheaton. Plans changed to capitalize on the opportunity that sought to maximize the unit yield and contribute to revitalization efforts in Wheaton. An RFQ/RFP process commenced and proposals pursuant to an RFP are

expected in November 2012. Once a developer is selected in January 2013 according to the schedule, the planning, financing, and approval process may take as long as three years before construction commences.

The Real Estate Division will continue to pursue a number of opportunities and close out several transactions. The division is integral to the implementation of one of the major objectives of the newly adopted FY13-FY17 Strategic Plan—vision of HOC as a real estate company. Therefore, its activities in FY13 and beyond 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 prospecting for opportunities, building partnerships, and identifying alternative sources of equity.

Program Objectives

Operating under the new Strategic Plan, The Real Estate 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 2013 budgeted revenues for the Real Estate Division are \$0.99 million. Total expenses in the FY 2013 Budget are \$.73 million. Personnel costs comprise 97.3%

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

Revenue and Expense Statement

	FY 2010	FY 2011	FY 2012	FY 2013
Real Estate Division	Actual	Actual	Amended Budget	Adopted Budget
Operating Income				
Management Fees	564,991	187,446	335,480	287,800
TOTAL OPERATING INCOME	\$564,991	\$187,446	\$335,480	\$287,800
Operating Expenses				
Personnel Expenses	822,526	682,307	731,230	705,760
Operating Expenses - Administrative	27,706	15,233	19,520	19,420
Maintenance Expenses	11	1	0	0
TOTAL OPERATING EXPENSES	\$850,243	\$697,541	\$750,750	\$725,180
NET OPERATING INCOME	(\$285,252)	(\$510,095)	(\$415,270)	(\$437,380)
Non-Operating Income				
Transfer Between Funds	828,856	682,297	731,230	705,670
TOTAL NON-OPERATING INCOME	\$828,856	\$682,297	\$731,230	\$705,670
NET NON-OPERATING ADJUSTMENTS	\$828,856	\$682,297	\$731,230	\$705,670
NET CASH FLOW	\$543,604	\$172,202	\$315,960	\$268,290

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Resident Services Division

Adopted Budget
June 6, 2012

Mission Statement

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

assimilation into the broader community. The Division currently administers 34 separate grant funded programs.

Special points of interest:

Resident Services 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.
- Operation of Family Resource Centers (FRCs).

Other services include:

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

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

Program Objectives

Core Services to Families, Elderly, and Disabled

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

responsibility and community inclusion.

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

Self-Sufficiency Programs

- Provide opportunities for career development, enhanced job training, skills development, pre-employment preparation, education and support to residents through operation of the Family Self-Sufficiency (FSS) Program, the Employment Initiative Program (EIP) and the HUD funded Aiming for Careers serving Public Housing residents only.
- Assist approximately 370 Public Housing and Housing Choice Voucher 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.
- Assist a minimum of 200 EIP residents annually in obtaining the skills and experiences necessary for successful employment in viable careers with livable wages and upward mobility.
- Track and provide services/resources to eligible residents and approved contractors seeking to hire low-income individuals to fulfill HUD Section 3 requirements.

Supportive Housing Programs for Homeless Households

- Effectively operate programs designed to prevent homelessness including: (1) the HUD-funded Supportive Housing Program, (2) the Shelter Plus Care and New Neighbor Programs, (3) the State-funded Rent Allowance Program providing housing for a 12-24 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.
- Ensure therapeutic services are made available to program participants.
- Continue collaboration with the Department of Health & Human Services under the Housing First Initiative to eliminate homelessness in the County by: (1) administering State and County grants providing emergency financial assistance to HOC residents for rent delinquencies and/or utility disconnections, (2) providing Housing Counseling services for hard-to-place homeless individuals and families, (3) providing service coordination and ongoing case management to homeless households placed in housing to ensure retention of housing, and (4) providing Housing Location services to search out and locate landlords and vacant units where homeless households can be placed.

Services to Children and Youth

- Enroll approximately 250 HOC youth in summer day camps and other recreational activity.
- Assist youth with college scholarship assistance, SAT preparation, summer jobs and educational programs for teens, and year-round recreational activities.
- Enroll at least 200-250 youth in after-school tutorial or homework assistance programs.

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

Volunteer Program

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

Performance Measurement Results

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

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

Family Self-Sufficiency Program (FSS)								
Measurement	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Mandated Participants	441	441	441	441	441	441	441	441
Enrolled Participants	415	407	397	400	395	370	371	370
In Process of Enrolling	73	76	79	80	80	74	73	74
Graduates	57	52	60	40	45	42	33	30
% Graduating	14	13	15	10	11	14	9	8
% Employed at Graduation	100	100	100	100	100	100	100	100
% of Graduates who completed College, Tech, GED or other training while in FSS	84	95	88	85	96	85	84	80
Participants who Withdrew, were Terminated, or Unsuccessful in FSS	54	50	51	50	52	55	14	15
Homebuyers	11	14	11	6	4	3	2	2
% of Participants Employed	78	75	68	70	74	70	62	60
% of Participants with Escrow Accounts	52	58	48	50	58	75	50	50
Other Family Members currently Enrolled	33	26	23	27	25	31	30	25

Family Self-Sufficiency (FSS) Program

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

rent payments. Intensive goal-oriented case management service and the escrow funds coupled with job training, education, child care and transportation underlie the program's 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.

About 95% of HOC's FSS Program participants are single mothers with an average age of 36. 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.

Employment Initiative Program (EIP)

	Employment Initiative Program	Aiming for Careers
Number of residents successfully completing training/classes	30	35
Number of residents participating in support groups or activities	100	50
Number of residents employed	75	50
Number of eligible Section 3 residents hired annually	75	50

Family Resource Centers (FRC)

Measurement	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Units in target neighborhood	220	285	285	285	285
Afterschool Programs, Transportation, Tutoring, Recreational Activities, Parent-Child Education Program*	1,450	1,450	1,450	1,450	1,450
Employment Training, Computer Skills, Reading Initiatives, Education, Transportation*	375	400	400	400	400
Health Education, Parenting Support, Sewing, Girl Scouts, Cultural and Other (Leadership Skills, etc.) *	600	650	650	650	650

* May be individuals participating in more than one activity.

Housing Programs for Homeless / Disabled Single Adults and Families

	Shelter Plus Care	New Neighbors I and II	State RAP	Rent Supplemental	Supportive Housing
Maintain enrollment of eligible participants	47	17	40	225	170
% of residents who remain stable & retain housing for one year	95%	95%	100%	100%	95%
Provide case management, referrals for therapeutic services, and other support resources	Yes	Yes	Yes	No	Yes

Housing Counseling, Service Coordination, and Housing Search and Placement

	Housing Counseling	Service Coordination	Housing Location
Number of referred homeless households to be placed in housing annually	70	91	125
Provide resources for application fees and security deposits	Yes	N/A	Yes

Budget Overview—Resident Services Division

The total Adopted FY 2013 Budget for this division is \$11.05 million, an increase of 1.1% from the FY 2012 Amended Budget of \$10.93 million. Personnel costs comprise 50.1% of

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

Revenue and Expense Statement

Resident Services Division	FY 2010 Actual	FY 2011 Actual	FY 2012 Adopted Budget	FY 2013 Adopted Budget
Operating Income				
Tenant Income	477,667	474,275	479,800	484,270
Federal Grant	3,951,126	4,108,173	4,295,840	4,071,000
State Grant	176,194	180,281	98,620	173,690
County Grant	7,768,867	6,440,313	5,816,610	5,840,280
Management Fees	26,640	0	0	0
Miscellaneous Income	32,393	0	0	0
TOTAL OPERATING INCOME	\$12,432,887	\$11,203,042	\$10,690,870	\$10,569,240
Operating Expenses				
Personnel Expenses	6,129,196	6,016,806	5,420,090	5,531,160
Operating Expenses - Fees	683,999	636,467	634,060	629,220
Operating Expenses - Administrative	286,718	227,571	237,270	229,940
Tenant Services Expenses	3,660,044	3,507,327	3,287,980	3,352,720
Protective Services Expenses	1,411	145	0	0
Utilities Expenses	274,079	275,347	267,910	257,370
Insurance and Tax Expenses	3,480	12,170	21,350	20,390
Maintenance Expenses	11,864	2,163	0	0
Housing Assistance Payments (HAP)	860,031	706,114	921,010	870,620
TOTAL OPERATING EXPENSES	\$11,910,822	\$11,384,110	\$10,789,670	\$10,891,420
NET OPERATING INCOME	\$522,065	(\$181,068)	(\$98,800)	(\$322,180)
Non-Operating Income				
Investment Interest Income	238	946	0	0
Transfer Between Funds	242,554	388,029	164,120	326,820
TOTAL NON-OPERATING INCOME	\$242,792	\$388,975	\$164,120	\$326,820
Non-Operating Expenses				
Operating and Replacement Reserves	15,222	0	0	0
Restricted Cash Flow	95,838	127,659	91,720	64,750
Transfer Out Between Funds	751,791	428,323	51,990	92,390
TOTAL NON-OPERATING EXPENSES	\$862,851	\$555,982	\$143,710	\$157,140
NET NON-OPERATING ADJUSTMENTS	(\$620,059)	(\$167,007)	\$20,410	\$169,680
NET CASH FLOW	(\$97,994)	(\$348,075)	(\$78,390)	(\$152,500)

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Section 3:
CAPITAL

Tab

Capital Budget

Adopted Budget
June 6, 2012

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 2013 Capital Budget is \$34.5 million.

Impact of Capital Budget on Operating Budget

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

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

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

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

Capital Budget Summary Overview

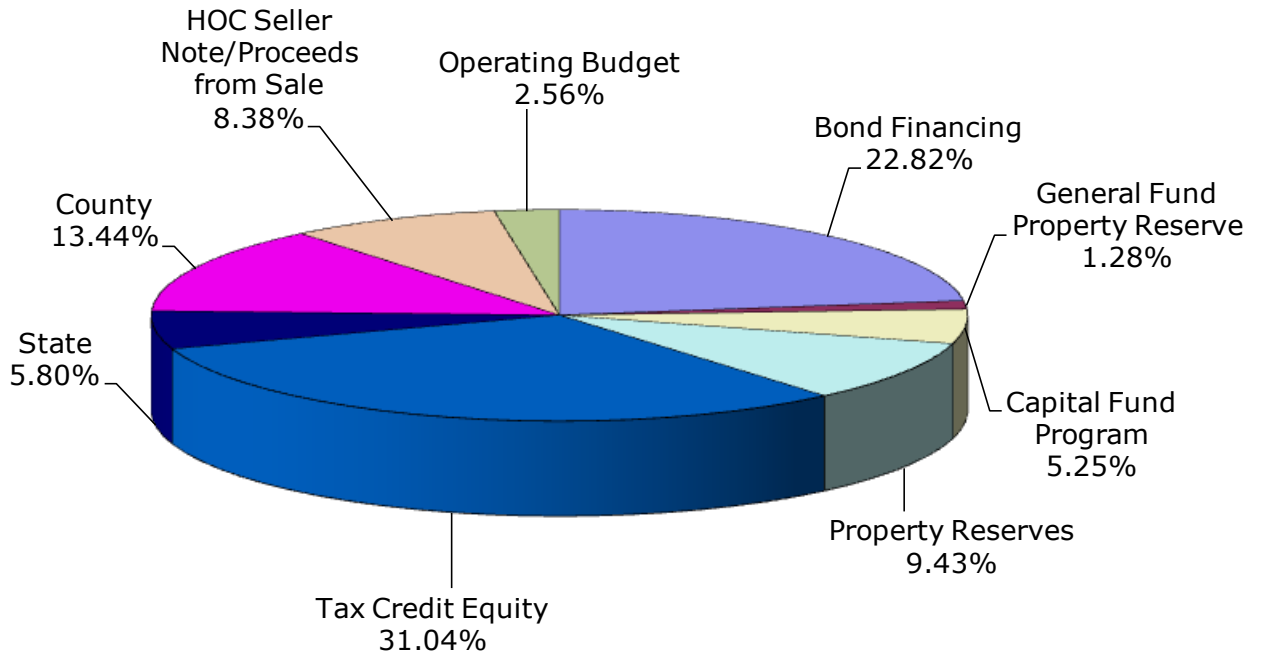
The total Adopted FY 2013 Capital Budget is \$34.5 million. The FY 2013 Capital Budget includes funds to maintain current Information Technology needs, as well as, improvements to the Kensington and East Der Park Offices. Funds have also been included for capital improvements to HOC's Opportunity Housing and Development Corporation properties, as well as HOC's Public Housing properties. The total Capital Improvements Budget will cost \$10.9 million.

The Capital Development Budget includes funds for renovations at Southbridge on Aspen Court, a cul-de-sac located in Takoma Park, refinancing and renovations of 190 scattered site townhomes and condominiums owned by HOC and originally developed as MPDUs, and the refinancing and substantial renovation of 132 units at Tanglewood and Sligo Hills Apartments in Silver Spring. The total development budget will cost \$23.6 million.

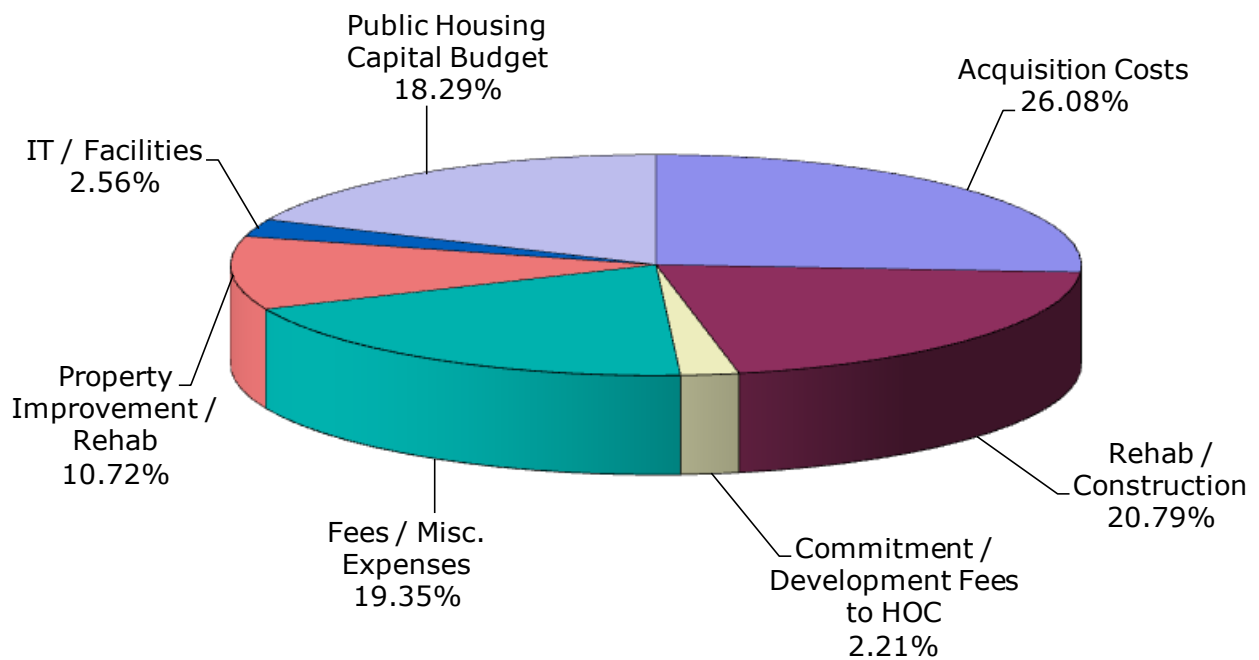
Capital Budget—Summary

Capital Budget Summary	FY 2013 Adopted Budget
Capital Improvements	
East Deer Park	25,000
Kensington Office	275,000
Information Technology	583,500
Opportunity Housing Properties	3,697,270
Public Housing Properties	6,311,750
SUBTOTAL	\$10,892,520
Capital Development Projects	
Southbridge (formerly known as Aspen Court)	136,500
Scattered Site One Development Corporation	2,037,760
Tanglewood/Sligo Hills Apartments	21,436,190
SUBTOTAL	\$23,610,450
TOTAL	\$34,502,970

Source of Funds



Use of Funds



Capital Improvement Budget—Facilities and IT Department

Facilities and Information Technology (IT) Improvements

The Capital Budget for Facilities includes capital improvements for the Kensington 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

FY 2013

Facilities & IT Department

Adopted Budget

	Total Expenses	Revenue Sources		
		Operating Budget	Master Lease	FY 2013 RfR
Facilities				
Equipment & Facilities	300,000	300,000		
Subtotal - Facilities	\$300,000	\$300,000	\$0	\$0
Information Technology (IT)				
Computer Software	285,000	285,000		
Equipment	298,500	298,500		
Subtotal - IT Improvements	\$583,500	\$583,500	\$0	\$0
TOTAL	\$883,500	\$883,500	\$0	\$0

Capital Improvement Budget—Asset Management

Opportunity Housing and Development Corporation Property Improvements

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

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

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

Capital Improvements Budget Opportunity Housing & Development Corporations

FY 2013
Adopted Budget

	Revenue Sources				
	Total Expenses	Property Reserves	General Fund Property Reserve	FY 2013 RfR	FY 2012 Roll-Over
Alexander House	240,040		90,040	150,000	
The Barclay	55,350	55,350			
Brookside Glen (The Glen)	59,600	59,600			
Chelsea Towers	14,370	14,370			
Chevy Chase Lake	291,700	291,700			
Dale Drive	5,340	5,340			
Diamond Square	284,050	284,050			
Fairfax Court	15,800	15,800			
Greenhills	80,210	13,870		66,340	
Holiday Park	20,540	20,540			
Jubilee House	4,500	1,000	1,500	2,000	
Jubilee Woodedge	2,000			2,000	
Jubilee Falling Creek	2,000			2,000	
Magruder's Discovery	28,550	28,550			
McHome	83,050		66,650	16,400	
McKendree	31,550		20,350	11,200	
MetroPointe	15,200	15,200			
Metropolitan, The	130,200	130,200			
Montgomery Arms	240,500	240,500			
MHLP I	21,850		9,060	12,790	
MPDU 2004	14,000	14,000			
MPDU I (64)	135,150	135,150			
TPM - MPDU II (59)	141,430	33,240	90,490	17,700	
The Oaks at Four Corners	275,610	248,080		27,530	
Paddington Square	46,600	46,600			
Paint Branch	17,590	4,570	4,620	8,400	
TPM - Pomander Court	39,520	15,020	17,300	7,200	
Pooks Hill Mid-Rise	147,400	147,400			
Pooks Hill High-Rise	320,200	281,570		38,630	
Scattered Site One	142,590		47,590	95,000	
Sligo Hills/ MPDU III	96,300	72,980	14,130	9,190	
State Rental Combined	197,850	197,850			
Strathmore Court	93,820	72,780		21,040	
Tanglewood	27,480			27,480	
TPM-Timberlawn	163,220	56,410	80,060	26,750	
Westwood Tower	212,110	6,960		205,150	
TOTAL	\$3,697,270	\$2,508,680	\$441,790	\$746,800	\$0

Capital Improvement Budget—Public Housing Properties

Public Housing Property Improvements

A Federal grant program called Capital Fund Program currently funds Public Housing capital improvements. This HUD program requires a long-range capital plan for each Public Housing property. For FY 2013, the Commission expects to receive a grant for just under \$2.0 million for Public Housing properties. These funds are critical as the operational requirements of Public Housing do not fund any reserves for future capital needs.

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

For FY 2013, Montgomery County is providing \$1.25 million in funds for Public Housing improvements and \$3.25 million for the installation of a sprinkler system at Elizabeth house and Arcola Towers via the Capital Improvements (CIP) Program.

Capital Improvement Budgets

FY 2013

Public Housing Properties

Adopted Budget

	Revenue Sources			
	Total Expenses	Capital Fund Program (Yr.20)	Capital Fund Program (Yr.21)	County Funds
Specific Property Improvements				
Elizabeth House	1,542,330	35,000	422,330	1,085,000
Holly Hall	370,000	145,000	75,000	150,000
Arcola Towers	2,830,000	55,000	100,000	2,675,000
Waverly House	300,000	50,000	100,000	150,000
Parkway Woods	11,070	11,070	0	0
Sandy Spring Meadow	128,350	128,350	0	0
Emory Grove	335,000	70,000	0	265,000
Washington Square	45,000	20,000	0	25,000
Seneca Ridge (Middlebrook Square)	10,000	10,000	0	0
Scattered Sites Central	148,000	61,000	57,000	30,000
Scattered Sites East	148,000	61,000	57,000	30,000
Scattered Sites Gaithersburg	148,000	61,000	57,000	30,000
Scattered Sites North	148,000	61,000	57,000	30,000
Scattered Sites West	148,000	61,000	57,000	30,000

TOTAL	\$6,311,750	\$829,420	\$982,330	\$4,500,000
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Capital Development Budget

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

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

Capital Development Projects

Southbridge (formerly known as Aspen Court)

Southbridge consists of three apartment buildings, all owned by HOC, on the Aspen Court cul-de-sac in Takoma Park. 7423-27 Aspen Court is a 16-unit vacant apartment building acquired by HOC in October 2007. This non-operating property was built in 1954 and requires extensive capital improvements. 7419 Aspen Court was acquired by HOC in December 2008. This building, constructed in 1960, is a 12-unit failed condominium which had been partially upgraded by the previous owner. 7411 Aspen Court is an 11-unit property constructed in 1965 purchased by HOC in August 2009. This property is in similar condition to 7419 Aspen Court. All remaining residents were relocated to other properties in advance of the start of renovation and will be invited to return to the property upon construction completion.

An architect retained by staff has created a scope of work, plans and specifications to renovate all three properties. HOC selected a general contractor who expects to complete

renovations by June 2012 with lease-up and stabilization scheduled for early FY 2013. Twenty of the apartments at Southbridge are to be rented to market-rate households and 19 to low-income qualifying families earning less than 50% of Area Median Income as required by the Montgomery County Department of Housing and Community Affairs (DHCA) which has provided construction financing.

Renovations are expected to reduce both utility and maintenance costs as compared to prior operational expenses. In FY 2010, HOC earned \$195,000 of the total development fee of \$390,000 anticipated for the three properties and an additional \$58,500 in FY 2012 with the balance projected in FY 2013. The post-renovation annual net income from the three apartment buildings will be approximately \$467,340. After lease-up and stabilization, anticipated November 2012, HOC will seek permanent financing from private lenders and Maryland CDA to retire a portion of the construction financing. The following charts depict the anticipated Expenditure and Funding Schedules as well as the anticipated Operating Budget impact.

SOUTHBRIDGE

Expenditure Schedule

Cost Element	Total	Through FY 2011	Estimated FY 2012	FY 2013
Acquisition Costs	3,883,210	3,883,210	0	0
Rehab / Construction	3,488,000	956,190	2,531,810	0
Comm. / Dev. Fees to HOC	390,000	195,000	58,500	136,500
Fees / Misc. Expenses	331,080	235,870	95,210	0
Total	\$8,092,290	\$5,270,270	\$2,685,520	\$136,500

Funding Schedule

Funding Source	Total	Through FY 2011	Estimated FY 2012	FY 2013
County	3,388,290	566,270	2,685,520	136,500
County HIF	4,704,000	4,704,000	0	0
Total	\$8,092,290	\$5,270,270	\$2,685,520	\$136,500

Operating Budget Impact

Impact Pos/(Neg)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Operating Income	378,650	467,340	476,690	486,220	495,950	505,870
Operating Expenses	(250,270)	(304,260)	(313,390)	(322,790)	(332,480)	(342,460)
Non-Operating Expenses	(74,900)	(74,910)	(76,400)	(77,930)	(79,490)	(81,080)
Total	\$53,480	\$88,170	\$86,900	\$85,500	\$83,980	\$82,330

Capital Development Projects (cont.)

Scattered Site One Development Corporation

Scattered Site One Development Corporation consists of 190 units formerly within the Montgomery Housing Limited Partnership (MHLP) II, III, IV, V, VIa and Moderately Priced Dwelling Unit (MPDU) 2007 ownership entities. These will be combined into a new single ownership entity, named Scattered Site One Development Corporation, refinanced and renovated. Thirty additional units from MHLP II and III will be excluded from the refinancing and sold. These units are located throughout the County, consisting mostly of townhomes and condominiums with some single family homes which HOC has purchased over the years under the County's Moderately Priced Dwelling Unit (MPDU) program.

An architect retained by staff has created a scope of work which was used to retain a general contractor to renovate the units

beginning in late FY 2012 through early FY 2014. Depending on the condition of each specific unit, renovations may include roof replacement, window replacement, new kitchen and bath cabinets and fixtures, new energy efficient appliances, painting and re-carpeting. A large majority of the renovations will be performed with residents in place. One hundred seventy of these units will be rented to households at or below 60% of Area Median Income (AMI) and 20 units will be leased to households at or below 50% of AMI.

In addition to extending the useful life of these units, renovations are expected to reduce utility and maintenance costs as compared to prior operational expenses. The post-renovation annual net income from the 190-unit property will be approximately \$2,361,030. The following charts depict the anticipated Expenditure and Funding Schedule as well as the anticipated Operating Budget impact.

SCATTERED SITE ONE DEVELOPMENT CORPORATION

Expenditure Schedule

Cost Element	Total	Through FY 2011	Estimated FY 2012	FY 2013
Acquisition Costs	5,805,250	0	5,805,250	0
Rehab / Construction	2,276,210	0	253,450	2,022,760
Comm. / Dev. Fees to HOC	0	0	0	0
Fees / Misc. Expenses	1,118,540	0	1,103,540	15,000
Total	\$9,200,000	\$0	\$7,162,240	\$2,037,760

Funding Schedule

Funding Source	Total	Through FY 2011	Estimated FY 2012	FY 2013
Bond Financing	9,200,000	0	7,162,240	2,037,760
Total	\$9,200,000	\$0	\$7,162,240	\$2,037,760

Operating Budget Impact

Impact Pos/(Neg)	FY13	FY14	FY15	FY16	FY17	FY18
Operating Income	2,320,140	2,361,030	2,408,250	2,456,410	2,505,550	2,555,650
Operating Expenses	(1,361,020)	(1,401,850)	(1,443,900)	(1,487,220)	(1,531,840)	(1,577,790)
Non-Operating Expenses	(645,890)	(664,890)	(683,890)	(683,890)	(683,890)	(683,890)
Total	\$313,230	\$294,290	\$280,460	\$285,300	\$289,820	\$293,970

Capital Development Projects (cont.)

Tanglewood and Sligo Hills Apartments

Tanglewood and Sligo Hills Apartments are two adjacent garden-style properties totaling 132 units on approximately four acres bordering Sligo Creek Parkway in the Long Branch area of Silver Spring. Tanglewood is owned by HOC and was acquired in the mid 1980s. In 1993, HOC acquired and financed Sligo Hills Apartments along with 23 scattered site townhomes developed under the County's Moderately Priced Dwelling Unit (MPDU) law, transferring all units to Sligo Hills Development Corporation which is wholly controlled by HOC. In December, 2011, HOC was awarded a \$1.3 million annual allocation of 9% Low Income Housing Tax Credits (LIHTC) from the Maryland Department of Housing and Community Development (DHCD) which can be expected to generate \$12.4 million in equity for the refinancing and substantial renovation of the properties. HOC intends to transfer the 132 units in Tanglewood and Sligo Hills Apartments into a single limited partnership ownership entity with a LIHTC investor as limited partner. Project financing also is expected to include a \$2 million Rental Housing Fund loan from Maryland DHCD and a taxable first mortgage. The 23 scattered site units will not be involved in the tax credit financing but will be transferred directly to HOC ownership. Construction is expected to begin by late 2012 and be completed by year-end 2013.

The project will be financed with a combination of 9% low income housing tax credits (\$12.4 million), a cash flow Rental Housing Fund loan (\$2 million) from Maryland DHCD, a long term mortgage (\$11.6 million) and a subordinate seller note from HOC (\$2.9 million).

Currently all 82 units at Tanglewood are restricted to 60% of Area Median Income (AMI) and 15 of the 50 at Sligo are restricted to 50% AMI. The plan would increase affordability by restricting an additional 35 units at Sligo Hills to households earning less than 60% AMI. Post renovation the project will include 32 Project Based Vouchers for households earning less than 30% AMI, 14 accessible units for households earning less than 50% AMI, and the remaining 86 units targeted for households earning less than 60% AMI.

The renovation will be extensive including all new heating and cooling, electrical, plumbing, storm water management, tot lot, building façade improvements, the addition of pitched roofs, fitness center, business center, and community room, an accessible leasing office, and new kitchens, baths, fixtures and finishes in individual apartments. The construction is expected to meet Enterprise Green Communities standards and should result in considerable energy savings. The following charts depict the anticipated Expenditure and Funding Schedule as well as the anticipated Operating Budget impact.

Capital Development Projects (cont.)

TANGLEWOOD/SLIGO HILLS APARTMENTS

Expenditure Schedule

Cost Element	Total	Through FY 2011	Estimated FY 2012	FY13	FY14
Acquisition Costs	9,000,000			9,000,000	
Rehab / Construction	10,300,420			5,150,210	5,150,210
Comm. / Dev. Fees to HOC	2,500,000			625,000	1,875,000
Fees / Misc. Expenses	7,160,980			6,660,980	500,000
Total	\$28,961,400	\$0	\$0	\$21,436,190	\$7,525,210

Funding Schedule

Funding Source	Total	Through FY 2011	Estimated FY 2012	FY13	FY14
Bond Financing	11,671,100			5,835,550	5,850,000
Tax Credit Equity	12,400,000			10,710,340	1,689,660
State	2,000,000			2,000,000	
Property Reserves	2,890,300			2,890,300	
Total	\$28,961,400	\$0	\$0	\$21,436,190	\$7,525,210

Operating Budget Impact

	CY13	CY14	CY15	CY16	CY17	CY18
Operating Income	1,142,180	1,622,950	1,754,780	1,789,880	1,825,680	1,862,190
Operating Expenses	(942,280)	(821,030)	(847,390)	(870,530)	(894,350)	(918,870)
Non-Operating Expenses	0	(724,270)	(724,270)	(724,270)	(724,270)	(724,270)
Total	\$199,900	\$77,650	\$183,120	\$195,080	\$207,060	\$219,050

Other Projects

The refinancing and renovation of The Ambassador Apartments will be part of a comprehensive plan to maximize the unit yield and contribute to revitalization efforts in Wheaton. Once a developer is selected in

January 2013 according to the schedule, the planning, financing, and approval process may take as long as three years before construction commences.

Opportunity Housing Reserve Fund (OHRF)

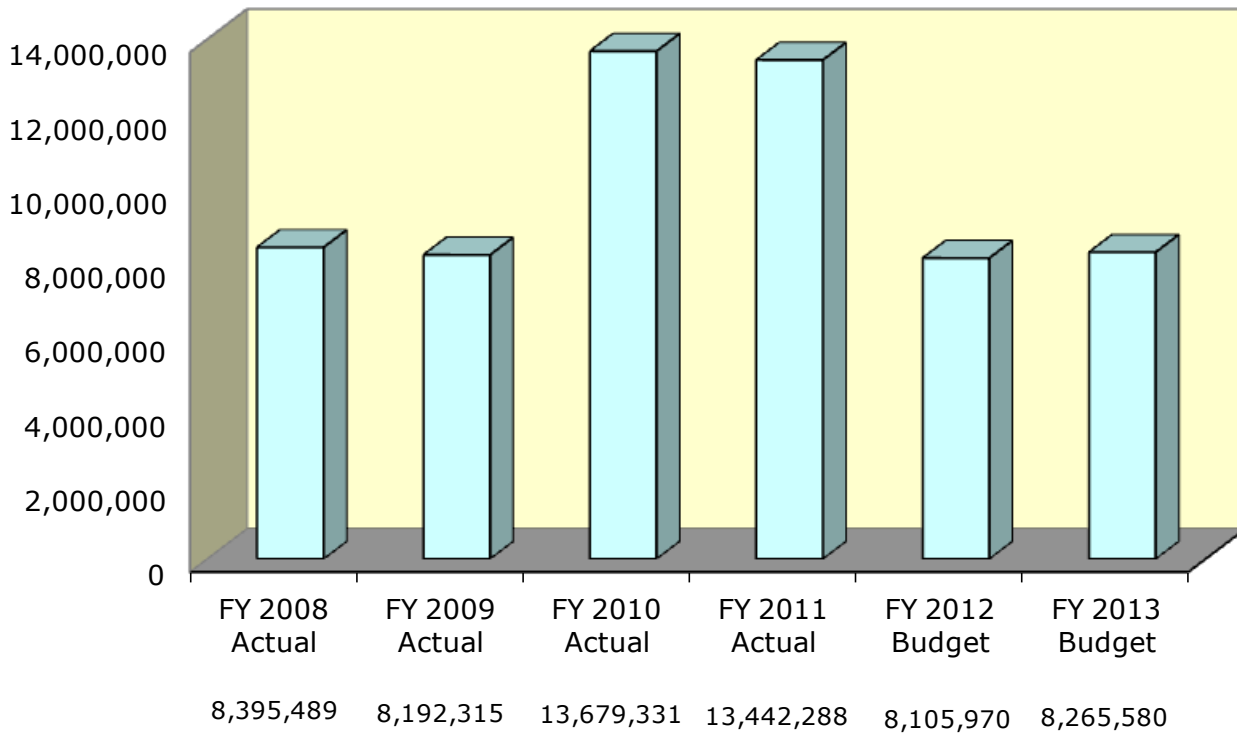
HOC established the OHRF in 1980 initially to address the use of revenues generated from the sale of bonds under the Single Family Mortgage Purchase Program. Today, the OHRF is a repository of proceeds from various HOC activities, whose primary purpose is the production of affordable housing.

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 2013 Adopted Budget projects a net increase in the OHRF of \$159,610.

OHRF Year-end Balances



Opportunity Housing Reserve Fund (OHRF)

Source of Capital	Total
Cash Balance as of 6/30/11	\$13,442,290
Source of Funds (FY 2012)	
Southbridge Development Fee (60%)	42,300
Lasko Manor Development Fee (60%)	275,830
NCI Foreclosures Development Fee (60%)	4,550
FY11 IT & Facilities Capital Loan Repayment for FY09	75,190
FY12 IT & Facilities Capital Loan Repayment for FY09	150,380
Overpayment FY 2011 4th Quarter Personnel Expenses (RE)	16,980
Spring Garden/GP Final Billing	6,290
Paint Branch Note	30,110
SUBTOTAL	\$601,630
Source of Funds (FY 2013)	
Budgeted Development Fees (60% of Total)	473,700
Budgeted Commitment Fees (60% of Total)	241,200
FY13 IT & Facilities Capital Loan Repayment for FY09	150,380
SUBTOTAL	\$865,280
TOTAL	\$1,466,910
Current Obligations	
Purchase of PH Units	(650)
MetroPointe Interest Rate Swap	(585,600)
Paddington Square Loan	(150,000)
Paddington Square Contribution	(1,703,240)
Ambassador Predevelopment Loan	(52,860)
Tanglewood/Sligo Hills Pre-Development Loan	(1,470,230)
Scattered Site Pre-Development Loan	(238,520)
Scattered Site Relocation & Renovation	(708,000)
Greenhills Predevelopment Loan	(5,000)
Paint Branch Loan Prepayment	(90,320)
FY 2011 Personnel Expenses (Real Estate Division)	(162,950)
FY 2012 Personnel Expenses (Real Estate Division)	(731,230)
FY 2011 Montgomery Consultants	(14,350)
FY 2012 Montgomery Consultants	(25,000)
SUBTOTAL	(\$5,937,950)
Use of Funds (FY 2013)	
Personnel Expenses (Real Estate Division)	(705,670)
SUBTOTAL	(\$705,670)
TOTAL	(\$6,643,620)
Projected Cash Balance as of 6/30/13	\$8,265,580

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Section 4:
PERSONNEL

Tab

Personnel Assumptions

Personnel Complement

The FY 2013 Adopted Budget includes a total of 383.80 work years.. This represents a net decrease of 1.0 work year.

Status Change from the Current Complement-
Decrease of 5 work years

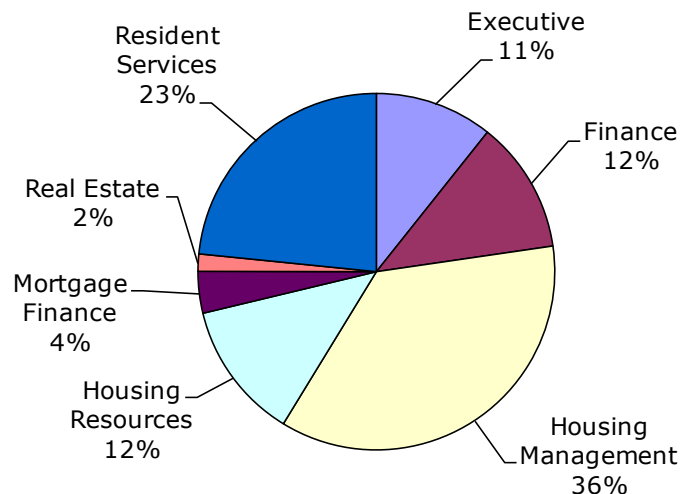
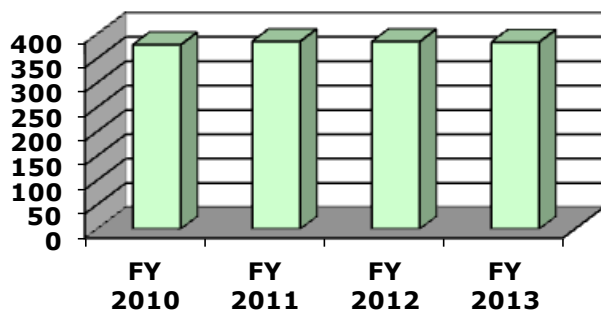
- Decrease of 1 term work year in Housing Management Division
- Decrease of 2 term work years in Housing Resources Division
- Decrease of 2 term work years in Resident Services Division (ROSS Grants ended)

New Positions for FY'13 - **Increase of 4 work years**

- 1 Special Assistant to the Executive Director in the Executive Division
- 1 Human Resource Specialist in the Executive Division
- 1 Assistant Controller in the Finance Division
- 1 Financial Analyst in the Finance Division

Please note that the Agency complement for all periods presented reflect changes as a result of continuing Agency re-organization.

Divisions Full Time Equivalent (FTE)	Actual FY 2010	Actual FY 2011	Amended FY 2012	Adopted FY 2013	% Change
Executive	40.00	40.00	39.00	41.00	5.13%
Finance	43.00	43.00	44.00	46.00	4.55%
Housing Management	138.60	139.10	139.10	138.10	-0.72%
Housing Resources	45.50	50.00	50.00	48.00	-4.00%
Mortgage Finance	14.50	14.50	14.50	14.50	0.00%
Real Estate	6.00	6.00	6.00	6.00	0.00%
Rental Assistance	0.00	0.00	0.00	0.00	0.00%
Resident Services	90.20	92.20	91.70	89.70	-2.18%
Total	377.80	384.80	384.30	383.30	-0.26%



Executive Division

Position Title	Status	Grade	Total
Executive Director	Full Time	A	1
Staff Attorney	Full Time	EX-02	2
Chief Information Officer	Full Time	EX-01	1
Director of Public Affairs	Full Time	EX-01	1
Director of Human Resources	Full Time	33	1
Internal Auditor	Full Time	28	1
Labor Relations Manager	Full Time	28	1
Community Partnerships Manager	Full Time	27	1
Facilities Manager	Full Time	27	1
Special Assistant to the Executive Director	Full Time	27	1
Network Manager	Full Time	26	1
Applications Development Supervisor	Full Time	25	1
Assistant Public Affairs Officer	Full Time	25	1
Human Resources Coordinator	Full Time	24	1
Senior Programmer/Analyst	Full Time	24	1
Executive Assistant to the Executive Director	Full Time	22	1
Programmer/Analyst	Full Time	22	1
Special Assistant to the Commission	Full Time	22	1
Telecommunications Specialist	Full Time	22	1
Facilities Buyer II	Full Time	21	1
Human Resources Specialist II	Full Time	21	1
Network Technician	Full Time	21	1
Public Information Specialist	Full Time	21	1
Webmaster	Full Time	21	1
Facilities Maintenance Specialist	Full Time	20	1
Senior Technician	Full Time	20	1
Administrative Assistant	Full Time	19	1
Human Resources Specialist I	Full Time	19	1
Human Resources Specialist	Full Time	TBD	1
Junior Programmer/Analyst	Full Time	19	1
PC Technician	Full Time	18	1
Help Desk Analyst	Full Time	16	1
Human Resources Assistant	Full Time	16	1
Office Manager	Full Time	16	1
Office Manager I	Full Time Term	16	1
Records Management Clerk II	Full Time	13	1
Mail & Supply Technician	Full Time	12	2
Receptionist	Full Time	11	1
Facilities Assistant	Full Time	10	1
Total (Percentage of Total Work Years)			41 10.70%

Finance Division

Position Title	Status	Grade	Total
Chief Financial Officer	Full Time	EX-02	1
Controller	Full Time	33	1
Assistant Controller	Full Time	TBD	1
Budget Officer	Full Time	29	1
Accounting Manager	Full Time	28	2
Procurement Officer	Full Time	27	1
Accounting Supervisor	Full Time	25	4
Resident Accounting Supervisor	Full Time	25	1
Financial Analyst	Full Time	24	2
Disbursement Supervisor	Full Time	23	1
Accountant II	Full Time	21	10
Cash/Investment Manager	Full Time	21	1
Payroll Specialist	Full Time	21	1
Accountant I	Full Time	19	4
Administrative Assistant	Full Time	19	1
Buyer II	Full Time	19	1
Resident Accounting Specialist II	Full Time	19	1
Lead Disbursement Specialist	Full Time	18	1
Buyer I	Full Time	17	1
Resident Accounting Specialist I	Full Time	17	1
Office Manager	Full Time	16	1
Payroll Assistant	Full Time	16	1
Resident Accounting Clerk I	Full Time	15	2
Accounting Clerk I	Full Time	14	4
Office Assistant II	Full Time	12	1

Total (Percentage of Total Work Years)

46 12.00%

Housing Management Division

Position Title	Status	Grade	Total
Director of Housing Management	Full Time	EX-02	1
Assistant Director of Asset Mgmt & Modernization	Full Time	29	1
Assistant Director of Property Management/Operations	Full Time	29	1
Construction Manager	Full Time	28	1
Manager of Modernization	Full Time	28	1
Program Oversight Manager	Full Time	28	1
Asset Manager	Full Time	27	2
Regional Manager	Full Time	27	4
Budget & Operations Manager	Full Time	25	1
Leasing and Occupancy Manager	Full Time	25	1
Project Manager	Full Time	25	2
Project Manager	Full Time Term	25	1
Assistant Regional Manager	Full Time	24	1
Management/Compliance Specialist	Full Time	24	1
Scattered Sites Operations Manager	Full Time	23	1
Property Manager	Full Time	22	18
Security Coordinator	Full Time Term	22	1
Lead Inspector	Full Time	21	1
Lead Occupancy Specialist	Full Time	21	1
Maintenance Specialist	Full Time	21	1
Program Specialist II	Full Time	21	2
Total Quality Manager	Full Time	21	3
Administrative Assistant	Full Time	19	1
Occupancy Specialist II	Full Time	19	6
Lead Trades Maintenance Worker	Full Time	19	2
Senior Office Manager	Full Time	19	1
Assistant Property Manager	Full Time	17	5
Housing Inspector	Full Time	17	7
Occupancy Specialist I	Full Time Term	17	1
Trades Maintenance Worker II	Full Time	17	34
Inventory & Control Specialist	Full Time	16	1
Program Assistant III	Full Time	16	5
Program Assistant II	Full Time	15	5
Trades Maintenance Worker I	Full Time	15	5
Program Assistant I	Full Time	14	1
Office Assistant III	Part Time	14H	0.6
Administrative Aide III	Full Time	13	1
Admin. Aide III	Part Time	13H	0.5
Building Services Worker	Full Time	13	1
Inventory & Control Assistant	Full Time	12	1
Custodian	Full Time	8	12
Facilities Assistant	Full Time	8	1
Total (Percentage of Total Work Years)			138.1 36.03%

Housing Resources Division

Position Title	Status	Grade	Total
Director of Housing Resources	Full Time	EX-01	1
Assistant Director of Housing Resources	Full Time	29	1
Assistant Director of Federal Programs	Full Time	29	1
Compliance Manager	Full Time	25	1
Customer Service Center Director	Full Time	25	2
Customer Service Manager	Full Time	22	3
Federal Programs Analyst	Full Time	22	1
Financial Analyst	Full Time	22	1
Compliance Inspector	Full Time	21	3
Lead Housing Specialist	Full Time	21	2
Management Analyst I	Full Time	21	3
Administrative Assistant	Full Time	19	1
Housing Specialist II	Full Time	19	11
Program Specialist	Full Time	19	1
Program Specialist	Full Time Term	19	1
Rent Market Analyst	Full Time	18	1
Housing Specialist I	Full Time	17	4
Program Assistant I	Full Time	14	6
Administrative Aide III	Full Time	13	2
Records Management Clerk II	Full Time	13	1
File Clerk	Full Time	10	1
Total (Percentage of Total Work Years)			48 12.52%

Mortgage Finance Division

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

Total (Percentage of Total Work Years)

14.5 3.78%

Real Estate Division

Position Title	Status	Grade	Total
Director of Real Estate	Full Time	EX-02	1
Housing Acquisition Manager	Full Time	28	3
Senior Financial Analyst	Full Time	26	1
Administrative Assistant	Full Time	19	1
Total (Percentage of Total Work Years)			6 1.57%

Resident Services Division

Position Title	Status	Grade	Total
Director of Resident Services	Full Time	EX-01	1
Assistant Director of Resident Services	Full Time	29	1
Resident Service Supervisor II	Full Time	27	1
Resident Service Supervisor I	Full Time	26	1
Program Coordinator	Full Time	25	3
Grants Coordinator	Full Time	24	1
Resident Services Housing Programs Coordinator	Full Time	24	1
Special Events/Volunteer Coordinator	Full Time	24	1
Disability Program Coordinator	Full Time Term	22	1
Family Resource Center Director	Full Time	22	4
Management Analyst II	Full Time	22	1
Program Specialist IIA	Full Time	22	2
Program Specialist IIA	Full Time Term	22	1
Program Service Coordinator	Full Time	22	1
Resident Employment Coordinator	Full Time	22	1
Management Analyst I	Full Time Term	21	1
Resident Counselor III	Full Time	20	23
Resident Counselor III	Full Time Term	20	19
Resident Counselor III	Part Time	20H	2.5
Resident Counselor III	Part Time Term	20H	2.1
Resident Services Program Specialist	Full Time Term	20	3
Administrative Assistant	Full Time	19	1
Housing Stabilization Specialist	Full Time Term	19	3
Housing Stabilization Specialist	Part Time Term	19H	0.5
Housing Locator	Full Time Term	18	1
Housing Specialist	Full Time Term	18	1
Resource Specialist	Full Time Term	17	1
Intake Specialist	Full Time Term	16	1
Administrative Aide III	Full Time	13	3
Administrative Aide III	Part Time	13H	0.5
Emergency Assistance Intake Aide	Part Time Term	13H	0.5
Community Aide	Full Time Term	11	5
Community Aide	Part Time Term	11H	0.6
Total (Percentage of Total Work Years)			89.7 23.40%
GRAND TOTAL			383.30 100.00%

Compensation

FY 2013 General Salary Schedule

The General Salary Schedules, which are used to determine pay for all Career and Term positions, remain at the FY 2012 level. 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	55.5 cents per mile*
1,001-7,500	70 cents per mile
7,501 and above	80 cents per mile

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

Automobile Insurance and Scheduled Maintenance Reimbursement

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

Meal Allowance

The Meal Allowance rate for FY 2013 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 2013.

Fitness Reimbursement

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

Pay Grade Schedule—Represented Employees

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

* 20 Years Completed Service and at Maximum of Pay Grade

Pay Grade Schedule—Unrepresented Employees

Annual Salary

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

Hourly Wages

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

* 20 Years Completed Service and at Maximum of Pay Grade

Pay Grade Schedule—Executive Leadership Service

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

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Section 5:
APPENDIX

Tab



**Program
History**

Program History

Adopted Budget
June 6, 2012

Legislative History

Thirty seven 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 are expected to affect a wide range of service agencies, including HOC. Unemployment has risen since the recession began, and reached 10% during 2009. This loss of income has affected mortgage holders, landlords and renters

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

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

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

However, the 2010 election sent a new majority to the House of Representatives. It changed the atmosphere, and the new majority has placed its primary emphasis on budget cutting. Deficit reduction is the watchword from both houses of Congress and both parties. They differ only in the severity of the cuts they propose. The FY12 Federal budget reflects significant appropriations reductions in both the Public Housing and Housing Choice Voucher programs.

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

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

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

Current Housing-Related Demographics in Montgomery County

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

Other demographic items of note are:

- The 2011 median income for Montgomery County was \$92,909 for a household of four. By comparison, the Greater Washington Area Median Income for 2011 is \$106,100 for a household of four.
- 7.5% of the total population lives below the Federal Poverty Income guidelines of \$22,350 for a household of four; up from 6.7% in 2009.
- The County's estimated labor force was 516,355 with an unemployment rate of 5.5% as of September 2011.
- 60% of the workforce reside and work in the County, while 40% work outside the County; 77% of employed residents commute by car.
- 91.1% of the population are High School graduates, while 56.1% have an advanced degree.
- The median age in the County is 38.
- 24.5% of the population is under 18 years old, while 12.3% of the population is 65 or older.
- 52% of the population is female.
- 31% of County residents are foreign born.

- About 39% of Maryland’s foreign born population resides in Montgomery County.
- Montgomery County’s proportion of households in Maryland is expected to grow from 16.4% in 2005 to 16.6% in 2025.
- Between 2005 and 2025, Montgomery County will absorb 17% of the State’s household growth.
- 82% of the housing allowed by Montgomery County plans is already built.
- The average household size was 2.66 in 2010.
- 32.5% of the County’s households live in multifamily properties, which remain the largest share of home construction.
- 52% of renters pay more than 30% of their income on housing costs.
- 38% of homeowners pay more than 30% of their income on housing costs.
- The median sales price for all home types in Montgomery County in 2009 was \$459,900.
- Time on the market before a house is sold averages 73 days.
- 25.7% households are renter occupied.
- Homeownership rate for 2009 was 69.3%.
- Apartment rents are continuing their upward trend from an average of \$1,212 in 2006 to an average of \$1,442 in 2011.
- Average apartment rents in 2011:
 - Efficiency \$1,185
 - 1-Bedroom \$1,308
 - 2-Bedroom \$1,502
 - 3-Bedroom \$1,848
 - 4-Bedroom \$2,217
- On any given day in Montgomery County, there are more than 1,100 people who are homeless. Approximately 27% (roughly 300) are children.

Description of Current Programs

HOC administers a wide variety of housing programs, including:

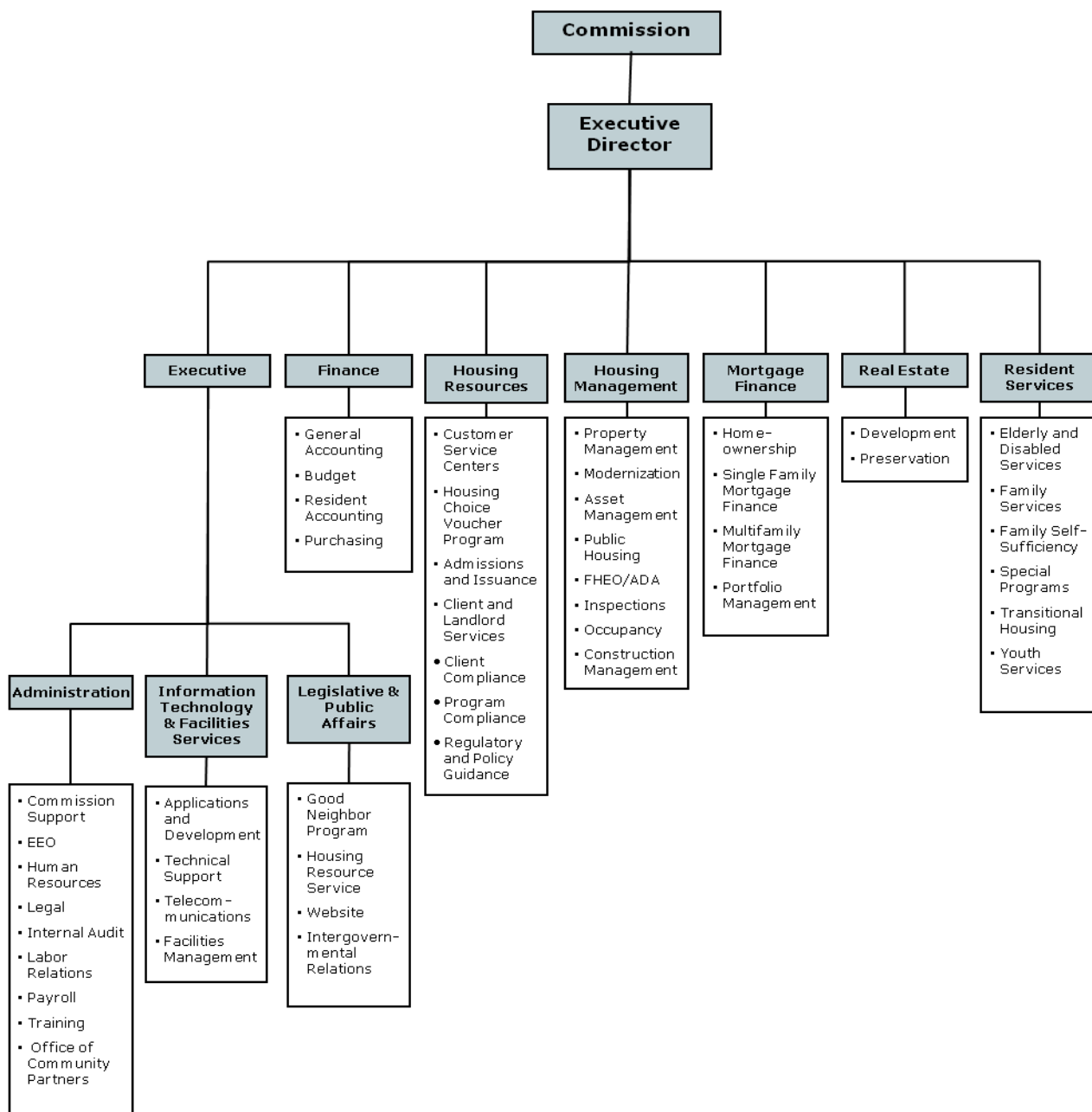
- The Public Housing Rental Program which provides housing for low- and moderate-income families, as well as elderly and disabled individuals, who pay 30 percent of their adjusted gross income for rent.
- The Public Housing Homeownership Program is a rental housing program wherein families pay 30 percent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

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

and mailing.

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

Housing Opportunities Commission Functional Organization Chart



Organizational Structure and Staff

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

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

HOC's Annual Management Process

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

Strategic Planning

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

Budget Preparation

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

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

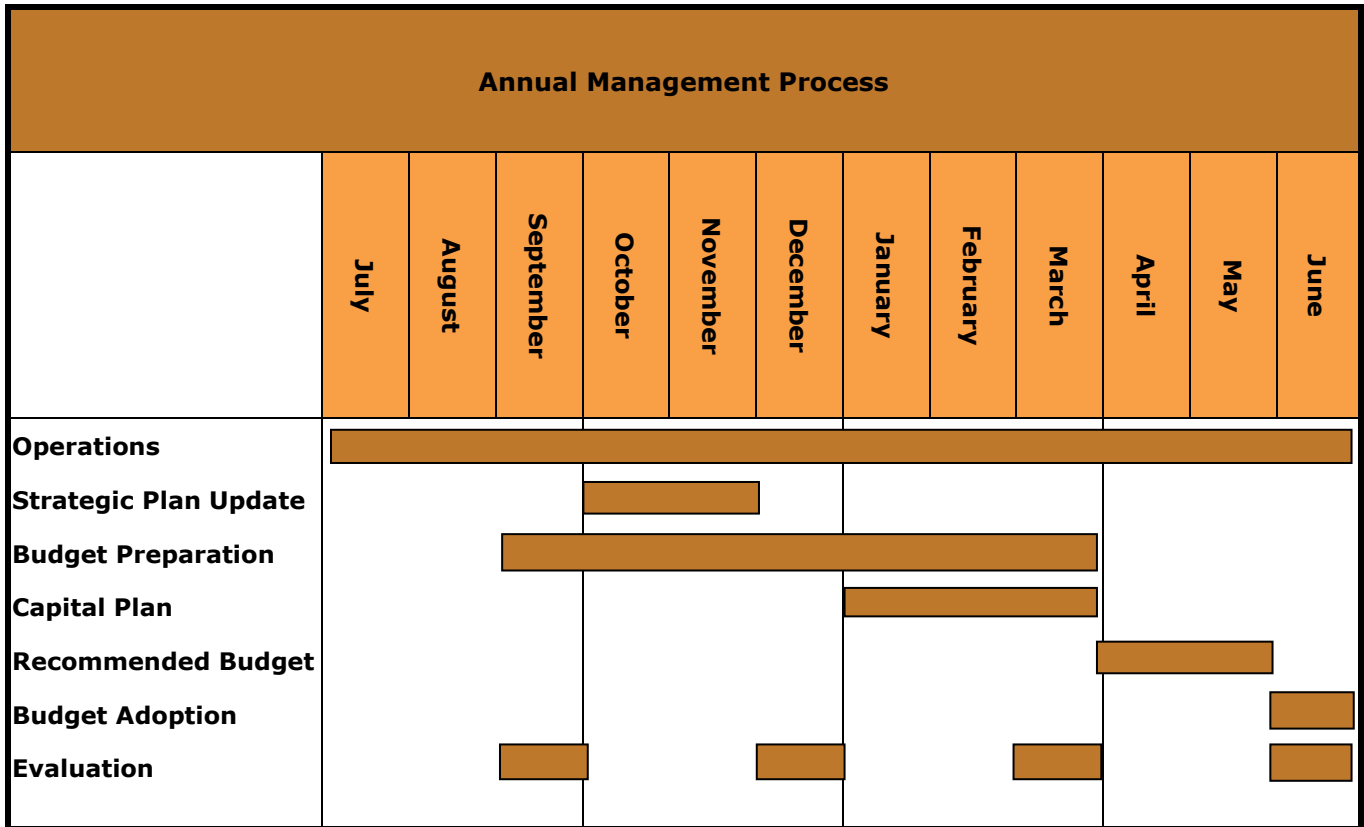
Operations

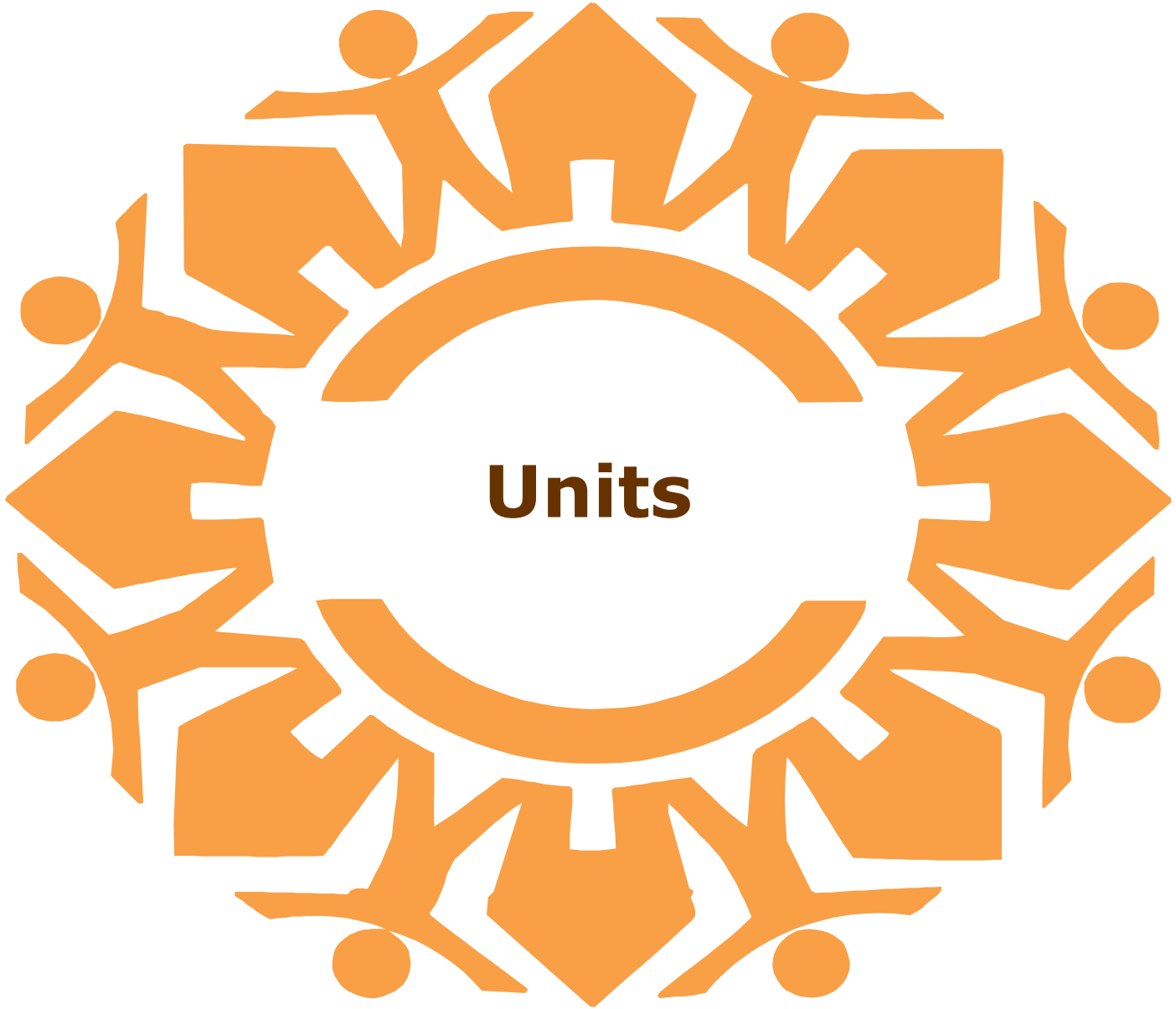
The fiscal year begins on July 1. Supervisors have primary responsibility for implementing the financial and operational plan. At the beginning of each fiscal year, staff are given job assignments based on the operational plan in the adopted budget document. Progress reports are reviewed in each division.

Evaluation

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

Annual Management Process Chart





Units

Units Summary

Adopted Budget
June 6, 2012

Summary

Housing Type	Actual As of 6/30/2011	Estimate As of 6/30/2012	Budget As of 6/30/2013
Public Housing Rental			
HOC Managed	1,546	1,546	1,546
Public Housing HomeOwnership			
HOC Managed	9	8	8
Opportunity Housing & Development Corps.			
HOC Managed	1,269	1,266	1,226
Privately Managed	2,221	2,221	2,221
Units Owned by HOC	5,045	5,041	5,001
Managed Properties			
HOC Managed	633	645	645
Contract Managed	1,115	1,115	1,115
Subtotal	1,748	1,760	1,760
Units Administered			
Rental Assistance Programs	6,002	6,457	6,482
Transitional Housing Programs	165	165	165
Special Programs	566	566	566
Subtotal	6,733	7,188	7,213
Units Managed or Administered	8,481	8,948	8,973
TOTAL - ALL UNITS	13,526	13,989	13,974
Total Units Managed by HOC	3,457	3,465	3,425
Total Units Contract Managed	3,336	3,336	3,336
Total Units Administered by HOC	6,733	7,188	7,213

Part A: Units Owned by HOC

Property No.	Property Name	Actual As of 6/30/2011	Estimate As of 6/30/2012	Budget As of 6/30/2013
PUBLIC HOUSING RENTAL				
Elderly Communities				
511-402	Elizabeth House	160	160	160
511-413	Holly Hall	96	96	96
511-415	Arcola	141	141	141
511-417	Waverly	158	158	158
Subtotal - Elderly		555	555	555
Family Communities				
511-404	Emory Grove	54	54	54
511-405	Washington Square	50	50	50
511-414	Seneca Ridge (Middlebrook Square)	71	71	71
511-430	Towne Centre Place	49	49	49
511-432	Sandy Spring	55	55	55
Subtotal - Family		279	279	279
Scattered Units				
511-001	Scattered Site Central	130	130	130
511-002	Scattered Site East	110	110	110
511-003	Scattered Site Gaithersburg	140	140	140
511-004	Scattered Site North	139	139	139
511-005	Scattered Site West	150	150	150
511-422	Ken Gar	19	19	19
511-426	Parkway Woods	24	24	24
Subtotal - Scattered		712	712	712
Subtotal-Public Housing Rental		1,546	1,546	1,546
PUBLIC HOUSING HOMEOWNERSHIP				
Family Communities				
524-411	Tobytown	9	8	8
Subtotal - Family		9	8	8
Subtotal-Homeownership		9	8	8
Total Public Housing Units (all HOC Managed)		1,555	1,554	1,554

Part A: Units Owned by HOC continued

Property No.	Property Name	Actual As of 6/30/2011	Estimate As of 6/30/2012	Budget As of 6/30/2013
OPPORTUNITY HOUSING & DEVELOPMENT CORPORATIONS				
Family Communities - HOC Managed				
412-457	Tanglewood	78	78	78
469-471	Chelsea Towers	21	21	21
499-200	Dale Drive	10	10	10
499-400	Southbridge	39	39	39
499-500	Jubilee House	3	3	3
499-501	Jubilee Woodedge	0	3	3
499-502	Jubilee Falling Creek	0	3	3
913-455	Sligo Hills (Dev. Corp.)	50	50	50
915-458	Pomander Court (Dev. Corp.)	24	24	24
919-200	Paddington Square (Dev. Corp.)	165	165	165
965-480	Magruder's Discovery (Dev. Corp.)	134	134	134
Subtotal - Family HOC Managed		524	530	530
Scattered Units - HOC Managed				
452-469	McHome	38	38	38
454-451	Holiday Park	20	20	20
455-714	MHLP I	29	21	16
461-464	Paint Branch	14	14	14
462-466	McKendree	23	21	13
463-467	MPDU I	64	64	64
470-450	State Rental Combined	196	196	196
487-001	MPDU 2004	38	38	38
488-000	CDBG Units	2	2	2
489-000	NSP Units	6	6	6
490-000	NCI Units	15	15	15
499-300	MPDU 2007	18	19	0
499-900	MPDU 2007 - Phase II	0	0	2
812-715	MHLP II	54	54	0
813-716	MHLP III	44	44	0
814-717	MHLP IV	60	60	0
815-718	MHLP V	27	27	0
816-719	MHLP VI-A	15	15	0
913-484	MPDU III (Dev. Corp.)	23	23	23
915-468	MPDU II (Dev. Corp.)	59	59	59
921-100	Scattered Site One (Dev. Corp.)	0	0	190
Subtotal - Scattered HOC Managed		745	736	696
Subtotal-HOC Managed		1,269	1,266	1,226
Family Communities - Contract Managed				
414-460	Fairfax Court	18	18	18
417-477	Pooks Hill High-Rise	189	189	189
418-476	Pooks Hill Mid-Rise	50	50	50
427-490	Greenhills	78	78	78
433-487	Strathmore Court @ White Flint	151	151	151
435-489	Westwood Towers	212	212	212
441-485	Brookside Glen (The Glen)	90	90	90
442-473	Diamond Square	124	124	124
841-748	Ambassador One Associates LP	162	162	162
912-479	Alexander House (Dev. Corp.)	311	311	311
914-488	The Metropolitan (Dev. Corp.)	216	216	216
915-472	Timberlawn (Dev. Corp.)	107	107	107
917-478	Montgomery Arms (Dev. Corp.)	129	129	129
918-100	MetroPointe (Dev. Corp.)	120	120	120
920-300	Chevy Chase Lake (Dev. Corp.)	68	68	68
920-400	Barclay (Dev. Corp.)	76	76	76
Subtotal - Family Contract Managed		2,101	2,101	2,101
Elderly Communities - Contract Managed				
911-475	The Oaks (Dev. Corp.)	120	120	120
Subtotal - Elderly Contract Managed		120	120	120
Subtotal-Contract Managed		2,221	2,221	2,221
Total Opportunity Housing and Development Corporations		3,490	3,487	3,447

Part B: Units Managed and Administered by HOC

Property No.	Property Name	Actual As of 6/30/2011	Estimate As of 6/30/2012	Budget As of 6/30/2013
MANAGED PROPERTIES				
236 Elderly Communities - HOC Managed				
871-701	Bauer Park	142	142	142
872-703	Town Center Apts.	112	112	112
Subtotal - Elderly HOC Managed		254	254	254
Other Family Communities - HOC Managed				
833-741	Manchester Manor Apts. LP	53	53	53
899-000	Lasko Manor. LP	0	12	12
874-705	Camp Hill Square (236 property)	51	51	51
Subtotal - Family HOC Managed		104	116	116
Scattered Units - HOC Managed				
812-715	MHLP II	0	0	0
817-720	MHLP VII	35	35	35
818-721	MHLP VIII	49	49	49
819-711	MHLP IX (Pond Ridge)	40	40	40
819-712	MHLP IX (MPDU units)	76	76	76
820-713	MHLP X	75	75	75
Subtotal - Scattered HOC Managed		275	275	275
Subtotal-HOC Managed		633	645	645
Family Communities - Contract Managed				
818-100	MetroPointe LP	53	53	53
831-787	Strathmore Court LP	51	51	51
832-788	The Metropolitan of Bethesda LP	92	92	92
834-742	Shady Grove Apartments LP	144	144	144
835-743	The Willows of Gaithersburg Associates LP	195	195	195
837-744	MV Affordable Housing Associates LP	94	94	94
838-714	Georgian Court Silver Spring LP	147	147	147
839-746	Barclay One Associates LP	81	81	81
840-747	Spring Garden One Associates LP	83	83	83
841-748	Ambassador One Associates LP	0	0	0
842-749	Forest Oak Towers LP	175	175	175
Subtotal - Family Contract Managed		1,115	1,115	1,115
Subtotal Contract Managed Properties		1,115	1,115	1,115
Total Managed Properties		1,748	1,760	1,760

Part B: Units Managed and Administered by HOC continued

Property Name	Actual	Estimate	Budget
	As of 6/30/2011	As of 6/30/2012	As of 6/30/2013
UNITS ADMINISTERED			
Rental Assistance Programs			
Vouchers	5,828	6,178	6,178
Portables	145	250	275
Mod / Rehab	29	29	29
Subtotal-Rental Assistance	6,002	6,457	6,482
Transitional Housing Programs			
McKinney III	10	10	10
Turnkey	11	11	11
McKinney X	130	130	130
McKinney XII	14	14	14
Subtotal-Transitional Housing	165	165	165
Specialized Programs			
State RAP	45	45	45
Shelter Plus Care	46	46	46
Shelter Plus Care - New Neighbors	22	22	22
Shelter Plus Care - New Neighbors II	5	5	5
Housing Counselor Programs	60	60	60
Rent Supplemental Programs	250	250	250
HIP	91	91	91
Master Lease Properties	47	47	47
Subtotal-Specialized Programs	566	566	566
Total Administered Properties	6,733	7,188	7,213


Part C: HOC Financing

PRIVATELY OWNED UNITS	Actual	Estimate	Budget
FINANCED BY THE HOC	As of	As of	As of
PROPERTY NAME	6/30/2011	6/30/2012	6/30/2013
Private Bond-Financed Properties			
1 Amherst Square	125	125	125
2 Argent	96	96	96
3 Blair Park	52	52	52
4 Byron House	32	32	32
5 Canterbury	544	544	544
6 Charter House	212	212	212
7 Clopper Mill Manor	102	102	102
8 Covenant Village	89	89	89
9 Drings Reach	104	104	104
10 Falkland Chase	450	450	450
11 Oakfield Apartments	371	371	371
12 Gramax	180	180	180
13 Galaxy	195	195	195
14 Lenox Park	406	406	406
15 Oak Mill II	192	192	192
16 Olney Manor	100	100	100
17 Randolph Manor	83	83	83
18 Ring House	248	248	248
19 Rockville Housing Enterprises	56	56	56
20 Silver Spring House	80	80	80
21 The Bennington	223	223	223
22 Somerset Apartments	99	0	0
23 The Grand	550	550	550
24 University Manor	136	136	136
25 Victory Court	0	86	86
26 Victory Forest	181	181	181
PRIVATE SUBTOTAL	4,906	4,893	4,893

Part D: HOC Financing

NUMBER OF SINGLE FAMILY LOANS	Actual As of 6/30/2011	Estimate As of 6/30/2012	Budget As of 6/30/2013
HALF LOANS			
Number of New Loans			
First Trusts	1	1	1
Closing Cost	0	1	1
	Actual As of 6/30/2011	Estimate As of 6/30/2012	Budget As of 6/30/2013
CLOSING COST LOANS			
Number of New Loans	101	75	100
Number of Loans Outstanding	360	350	400
	Actual As of 6/30/2011	Estimate As of 6/30/2012	Budget As of 6/30/2013
MORTGAGE PURCHASE PROGRAM			
Number of New Loans	104	100	120
Number of Loans Outstanding	1,505	1,500	1,550

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**General
Financial
Information**

General Financial Information

Financial Policies

Budget Policy

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

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

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

Internal Control

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

Investment Policy

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

accounts or securities consistent with governing laws and regulations.

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

Investment of HOC funds are limited to:

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

Financial Policies cont.

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

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

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

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

Petty Cash Policy

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

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

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

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

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

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

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

Financial Policies cont.

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

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

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

Procurement Policy

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

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

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

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

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

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

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

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

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

Rental Income Collection Policy

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

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

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

Description of Major Revenue Sources

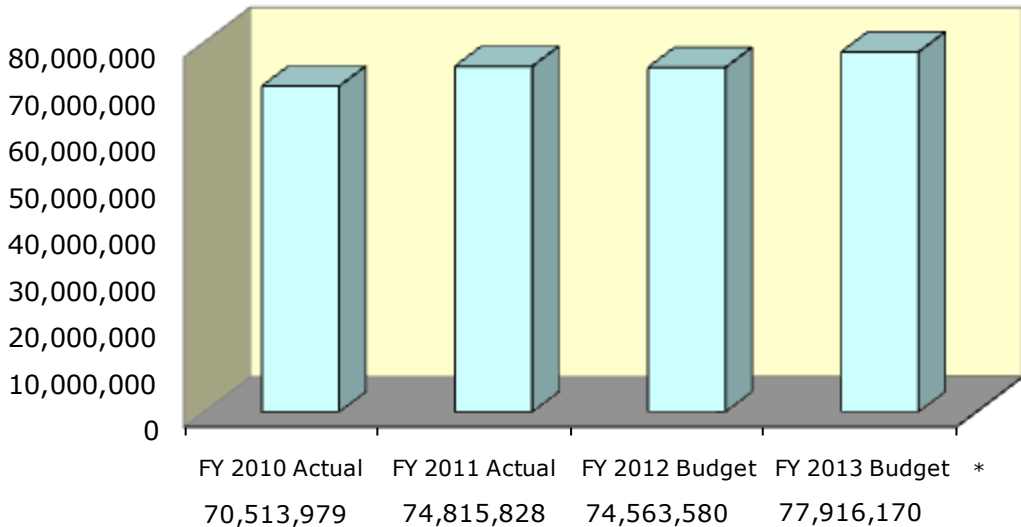
Federal Funds

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

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

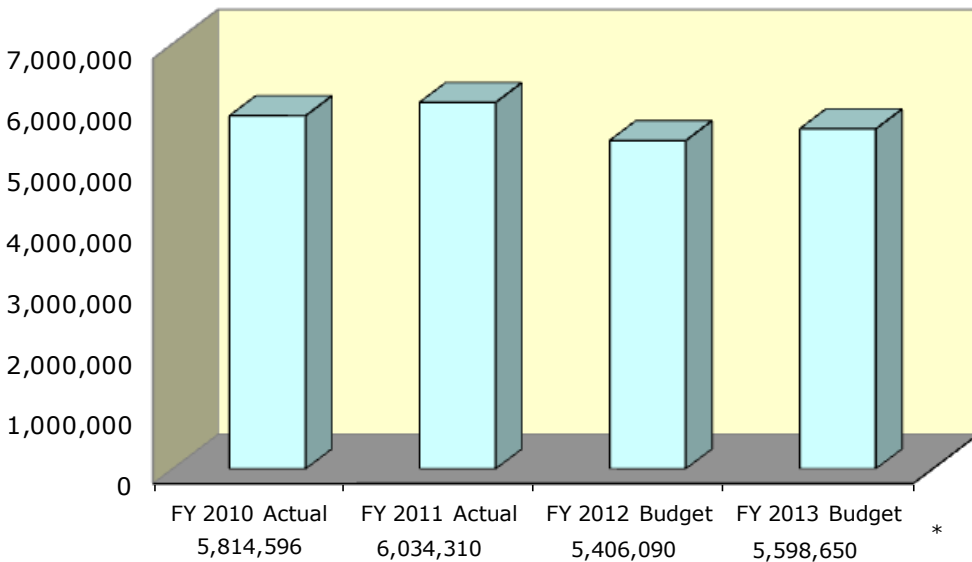
gross household income below 50% of the area median income. Rent subsidy certificates are held by program participants who choose rental units in the private market, provided that the rent is less than a maximum Fair Market Rent (FMR) established by HUD. The program requires that HCV recipients contribute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

Housing Assist Payments (HAP)



**Represents 34.9% of Revenues.*

HCV Administrative Fees - Income



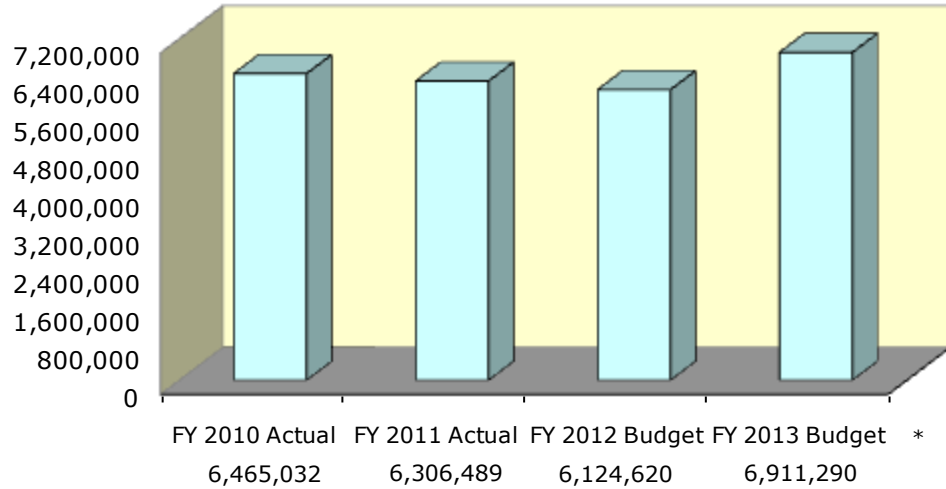
**Represents 2.5% of Revenues.*

Public Housing Operating Subsidy

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

on a calendar year basis. Prior to CY 2008, the subsidy was calculated at the Agency level. Beginning in CY 2008, the subsidy is now calculated for each Asset Management Project or AMP. For FY 2013, the subsidy is based on FY 2011 income and expenses adjusted for inflation.

Public Housing Operating Subsidy



**Represents 3.1% of Revenues.*

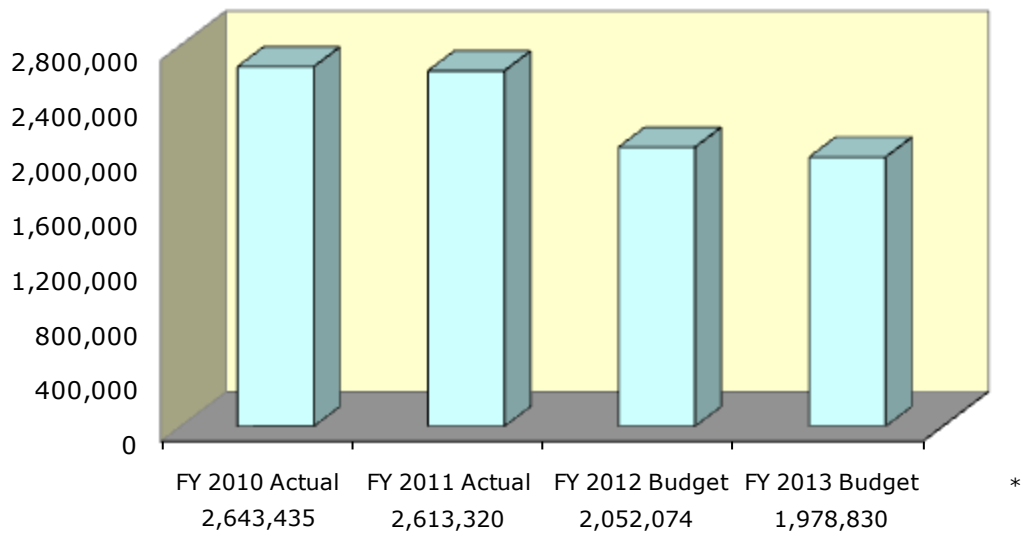
The FY 2013 budget is based on 95% funding rate from HUD.

Capital Fund Program (CFP)

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

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

Capital Fund Program



**Represents 0.9% of Revenues.*

The FY 2013 capital budget includes an estimated award of \$2.0 million from the Capital Fund Program.

McKinney Funds

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

Other HUD Grants

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

State Funds

State Rental Allowance Payment (RAP) Program

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

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

The FY 2013 budget reflects a full year's operation for this program.

Congregate Housing Services Program

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

County Funds

County Operating Grant

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

The FY 2013 budget required HOC to continue funding personnel and operating expenses previously funded with county dollars.

Montgomery Housing Initiative Fund (HIF)

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

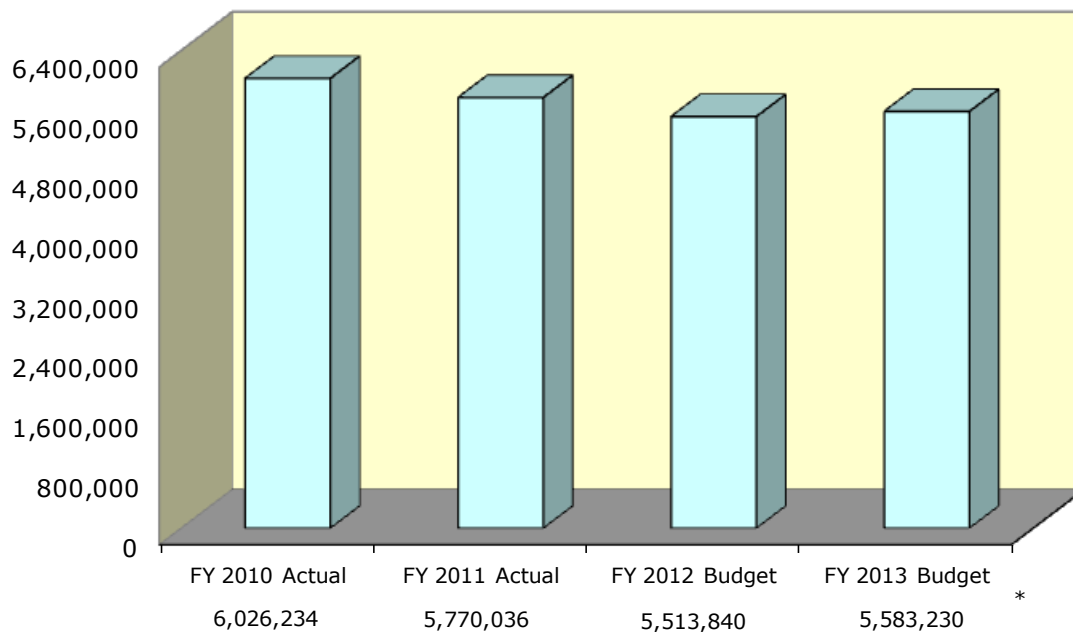
from the supply of affordable housing; and/or participate in mixed-use housing developments that will include affordable housing. HOC requests funds from the HIF on a specific basis.

County Revolving Funds

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

As of December 31, 2011, HOC had \$13.73 million in outstanding loans, which equals 81% of total authority.

County Operating Grant



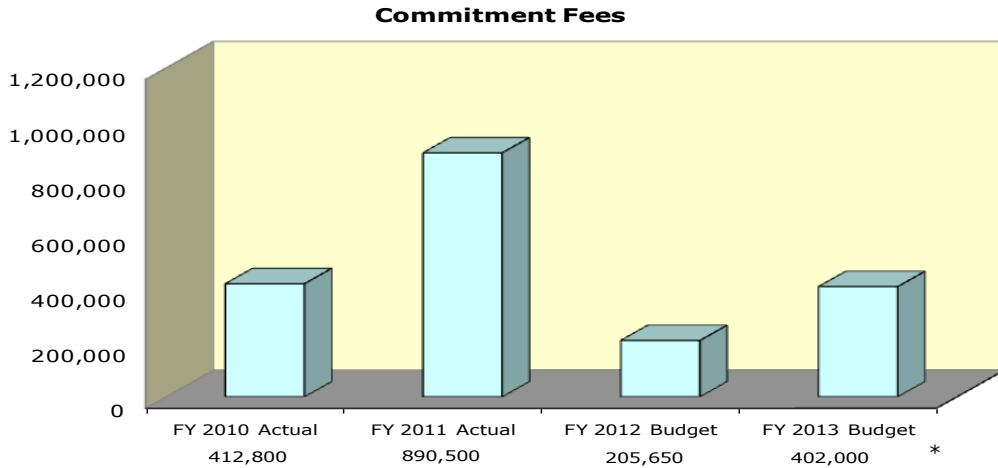
**Represents 2.5% of Revenues.*

Mortgage Finance Activities

Multifamily Commitment Fees

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

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



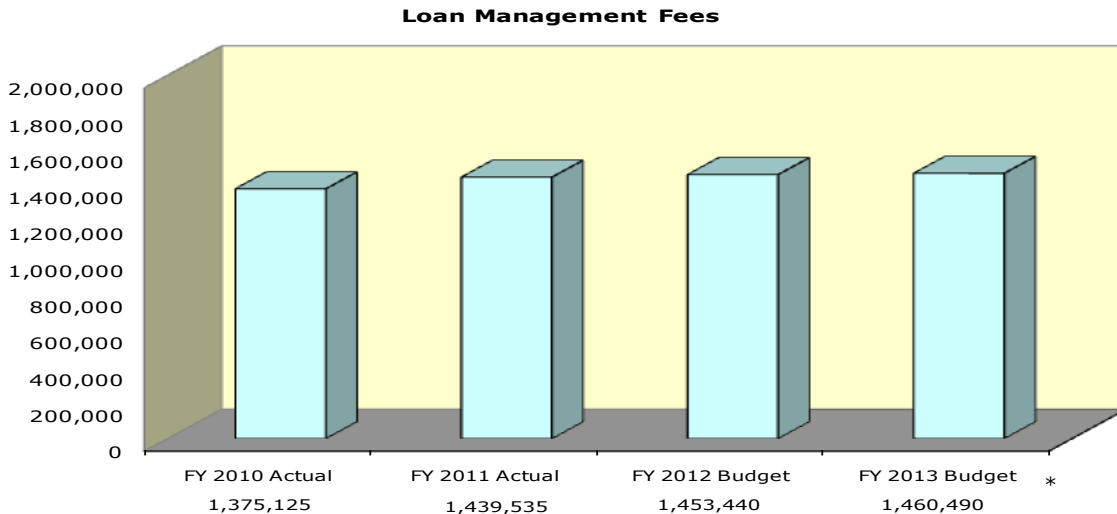
*Represents 0.2% of Revenues.

In FY 2013, 40% of all commitment fees collected will be used to support the Agency's operations. The other 60% of the fees will go to the Opportunity Housing Reserve Fund (OHRF) to fund future affordable housing development.

Multifamily Loan Management Fees

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

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



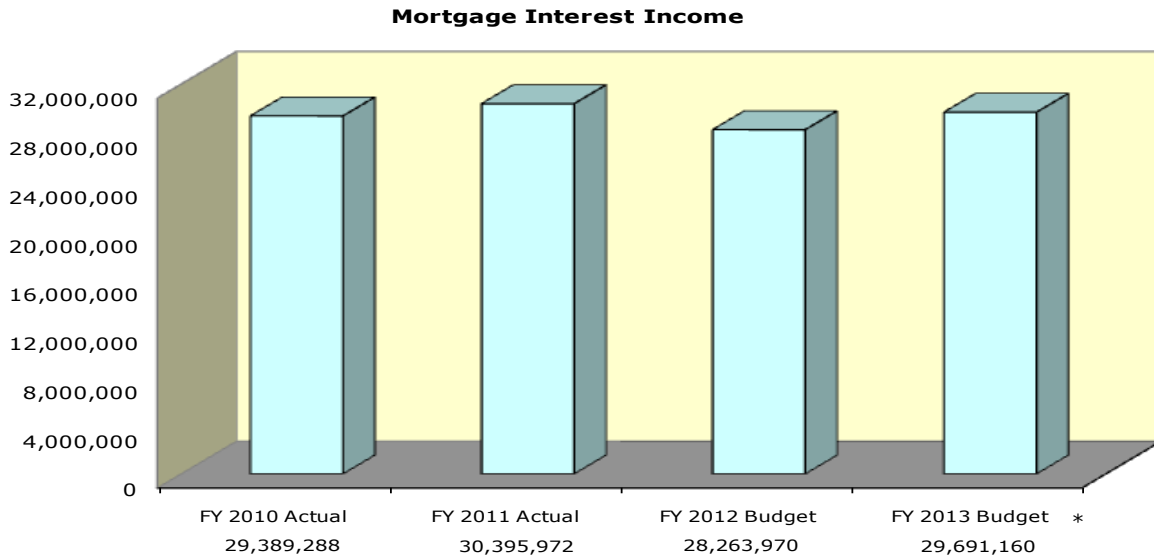
*Represents 0.7% of Revenues.

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

Mortgage Interest Income

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

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



*Represents 13.3% of Revenues.

Bond Funds for Program Administration

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

The FY 2013 budget draws \$1,763,819 from 1979 Single Family Indenture for the cost of program administration for the Single Family Mortgage Finance Program and \$861,542 and \$292,259, respectively, from the 1984 and 1982 Multifamily indentures for the program administration costs of the Multifamily program.

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

Tax-exempt Mortgage Revenue Bonds

The largest revenue source for the capital

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

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

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

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

Property Management Activities

Rents and Related Income from Properties

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

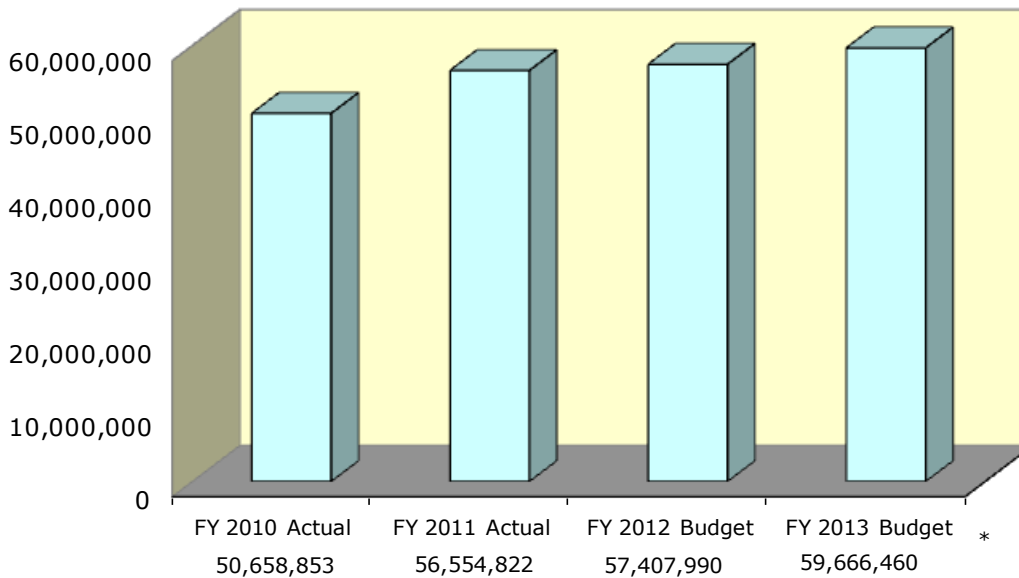
properties annually during the budget development process. Rent is HOC's largest single revenue source after the Housing Assistance Payments.

The FY 2013 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 26.7% of Revenues.*

Opportunity Housing Property Reserves

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

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

The FY 2013 Capital Improvement Budget for Opportunity Housing properties is funded from the replacement reserves that are set aside each year in the operating budget as well as general fund property reserves when necessary.

Management Fees

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

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

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

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

Other Income

Interest Income

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

Opportunity Housing Reserve Fund (OHRF)

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

purpose is the production of affordable housing.

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

Debt Management

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

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

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

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

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

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

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

The Commission has the use of revolving

funds from the County in the amount of \$17 million; these loans are used for interim financing and are repaid when HOC is reimbursed from the source of the permanent financing for the project. HOC also has a \$50 million unsecured line of credit with PNC Bank. These funds are also used for interim financing of development activity, or other purposes if approved by the Commission and the Bank.

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

Legal Debt Limit

HOC is not limited in the amount of debt it can incur. However, each financing plan is reviewed by Moody's to ensure that our A bond rating is maintained. The following table summarizes the total indebtedness of the Agency as of March 31, 2012.

Debt Summary (As of March 31, 2012)

Bonds	Amount Issued	Amount Outstanding	Property Related	Amount Outstanding
Single Family Fund	425,654,729	302,450,078	Intra-Commission Mortgages	187,221,370
Multifamily Fund	0	419,708,017	Other Mortgages	11,453,873
Total HOC Bonds	\$425,654,729	\$722,158,095	Total Mortgages	\$198,675,243
Non-Obligated Multifamily Bonds	251,312,000	249,022,264	County Revolving Funds	13,612,015
Total Non-Obligated Bonds	\$251,312,000	\$249,022,264	Notes Payable to County	47,182,442
			Total Debt to County	\$60,794,457
			Notes Payable to State	\$18,065,967
TOTAL BONDS	\$676,966,729	\$971,180,359	TOTAL PROPERTY DEBT	\$277,535,667

Single Family Mortgage Revenue Bonds (As of March 31, 2012)

Bond Series	Final Maturity	Amount Issued	Amount Outstanding (1)
1998 Series A	7/1/2028	16,849,295	28,190,096
2001 Series A	7/1/2032	19,114,606	875,000
2002 Series A	7/1/2019	13,200,000	1,905,000
2002 Series B	7/1/2033	1,800,828	3,089,982
2002 Series C	7/1/2033	16,890,000	16,890,000
2004 Series A	7/1/2024	19,645,000	9,720,000
2004 Series B	7/1/2034	5,355,000	350,000
2005 Series A	7/1/2025	18,500,000	11,280,000
2005 Series B	7/1/2035	6,500,000	1,000,000
2005 Series C	7/1/2025	11,600,000	7,035,000
2005 Series D	7/1/2036	13,400,000	7,580,000
2006 Series A	7/1/2026	18,705,000	12,200,000
2006 Series B	7/1/2037	11,295,000	6,765,000
2007 Series A	7/1/2021	15,875,000	10,595,000
2007 Series B	7/1/2038	19,125,000	14,640,000
2007 Series C	7/1/2015	1,000,000	1,000,000
2007 Series D	7/1/2038	20,000,000	14,630,000
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	7/1/2021	13,205,000	7,010,000
2008 Series B	7/1/2039	3,900,000	2,665,000
2008 Series C	7/1/2039	8,450,000	8,450,000
2008 Series D	7/1/2039	17,200,000	17,200,000
2009 Series A	6/30/2009	20,000,000	18,450,000

Total Single Family Revenue Bonds

\$314,609,729

\$219,835,078

SINGLE FAMILY HOUSING REVENUE BONDS (As of March 31, 2012)

NIBP 2009 Series A	12/23/2009	10,000,000	9,490,000
NIBP 2009 Series B	12/23/2009	15,000,000	14,980,000
NIBP 2009 Series C	12/23/2009	40,000,000	12,380,000
NIBP 2009 Series C-1	12/8/2010	9,000,000	9,000,000
NIBP 2010 Series A	12/8/2010	6,000,000	5,720,000
NIBP 2011 Series A	10/20/2011	12,425,000	12,425,000
NIBP 2009 Series C-2	10/20/2011	16,170,000	16,170,000
NIBP 2009 Series C-3	10/20/2011	2,450,000	2,450,000

Total HOC Owned Bonds

\$111,045,000

\$82,615,000

Total Bonds

\$425,654,729

\$302,450,078

(1) Includes Accreted Value as of 3/31/2012.

Multifamily Housing Bonds (As of March 31, 2012)

Bond Series	Current Property Name	Owner	Final Maturity	Amount Issued	Amount Outstanding	Bond Series	Current Property Name	Owner	Final Maturity	Amount Issued	Amount Outstanding		
Multifamily Program Fund:													
1982 Open Indenture													
1992 Series C	The Ambassador	Private	7/1/2032	4,425,000	2,345,000	1998 Issue A	Landings Edge Pook's Hill	Non-Profit HOC	7/1/2028	12,900,000	9,470,000		
SUBTOTAL					\$4,425,000	\$2,345,000	SUBTOTAL					\$12,900,000	\$9,470,000
1984 Open Indenture													
1984 Series A	MPDU I	HOC	7/1/2026	5,521,992	123,017	2002 Series A	Strathmore Court	HOC	11/1/2033	22,325,000	20,610,000		
1995 Series A	The Oaks @ Four Corners	HOC	7/1/2026	23,910,000	2,600,000	2002 Series C	Fairfax Court Pook's Hill	HOC	1/1/2032	12,965,000	12,965,000		
1996 Series A		HOC	7/1/2026	3,625,000	2,545,000	2008 Series A	Paddington Square Greenhills	HOC	5/1/2039	13,355,000	13,355,000		
SUBTOTAL					\$33,056,992	\$5,268,017	SUBTOTAL					\$48,645,000	\$46,930,000
1996 Open Indenture													
1998 Series A	TPM Development	HOC	7/1/2030	11,935,000	9,245,000	2009 Series A-1	Galaxy		7/1/2051	38,450,000	38,450,000		
1998 Series B	Shady Grove Manchester Manor The Willows	HOC	7/1/2030	18,905,000	13,335,000	2009 Series A-2	Argent		1/1/2044	8,040,000	8,040,000		
2000 Series A	Ring House	Non-Profit	7/1/2030	19,465,000	15,700,000	2010 Series A	Argent		1/1/2033	4,860,000	\$4,860,000		
2000 Series B	MHLP X Stewartown Georgian Court	HOC	7/1/2042	28,600,000	19,375,000	SUBTOTAL						\$51,350,000	\$51,350,000
2002 Series A	Burnt Mill Crossing II University Manor	Private				Multifamily Housing Bonds Indenture							
2002 Series B	Drings Reach	Non-Profit	7/1/2033	8,330,000	6,995,000								
2003 Series A	Silver Spring Metro Brookside Glen Diamond Square Montgomery Arms	Private	7/1/2044	31,465,000	28,270,000								
2003 Series B		HOC	7/1/2034	20,265,000	16,945,000								
2004 Series A	Charter House	Private	7/1/2036	13,700,000	12,670,000								
2004 Series B	Rockville Housing	Non-Profit	7/1/2045	4,085,000	3,820,000								
2004 Series C	Chevy Chase	HOC	7/1/2036	19,460,000	17,275,000								
2004 Series D	Spring Garden	HOC	7/1/2036	14,110,000	12,550,000								
2005 Series B	The Metropolitan Tax Credit	HOC	7/1/2034	5,440,000	5,280,000								
2005 Series C	The Metropolitan HOC	HOC	7/1/2037	28,630,000	27,940,000								
2007 Series A	Forest Oak	HOC	7/1/2037	19,055,000	17,675,000								
2007 Series B-1	Alexander House	HOC	7/1/2037	22,085,000	21,555,000								
2007 Series B-2	Sligo Hills MPDU 3	HOC	7/1/2037	3,020,000	2,945,000								
2007 Series C-1	Tx Cr 9, Tx Cr Pond Ridge	Non-Profit/HOC	7/1/2028	5,110,000	4,880,000								
2007 Series C-2	Silver Spring Hs.	Non-Profit/HOC	7/1/2027	2,190,000	2,095,000								
2010 Series A	Magruder	HOC	7/1/2041	12,375,000	12,375,000								
2011 Series A	MetroPointe	HOC	1/1/2049	33,585,000	33,585,000								
2011 Series B	MetroPointe	HOC	1/1/2049	3,020,000	3,020,000								
SUBTOTAL					\$342,670,000	\$304,345,000	SUBTOTAL					\$486,450,000	\$469,300,000

(1) Includes Accreted Value

Multifamily Housing Bonds (As of March 31, 2012)

Bond Series	Current Property Name	Owner	Final Maturity	Amount Issued	Amount Outstanding
Non-Obligation Bond Issues:					
<u>Multifamily Housing Revenue Bonds</u>					
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	5,271,768
2004 Issue A	Olney Manor	Private	1/1/2046	7,000,000	6,731,902
2004 Issue B	Blair Park	Private	10/15/2036	2,700,000	2,062,445
2004 Issue C	Cloppers Mill	Private	7/1/2046	7,800,000	7,530,290
2006 Issue A	Covenant Village	Private	12/1/2048	6,418,000	6,291,859
2008 Issue A	Victory Forest	Private	9/1/2045	6,600,000	6,600,000
<u>Multifamily Housing Revenue Refunding Bonds</u>					
2001 Issue A	Draper Lane	Private	3/1/2040	35,000,000	35,000,000
2001 Issue B	Draper Lane	Private	3/1/2040	11,000,000	11,000,000
2001 Issue C	Draper Lane	Private	3/1/2040	6,000,000	6,000,000
<u>Variable Housing Revenue Bonds</u>					
1985 Issue II	Falkland Apartments	Private	12/1/2030	24,695,000	24,695,000
1997 Issue I	The Grand	Private	6/1/2030	57,000,000	57,000,000
2005 Issue I	Oakfield	Private	7/1/2039	38,000,000	38,000,000
1998 Issue I	Byron Housing	Private	9/1/2030	2,319,000	1,559,000
SUBTOTAL				\$ 251,312,000	\$ 249,022,264
TOTAL Multifamily Bonds				\$ 251,312,000	\$ 249,022,264

Debt Summary By Fund

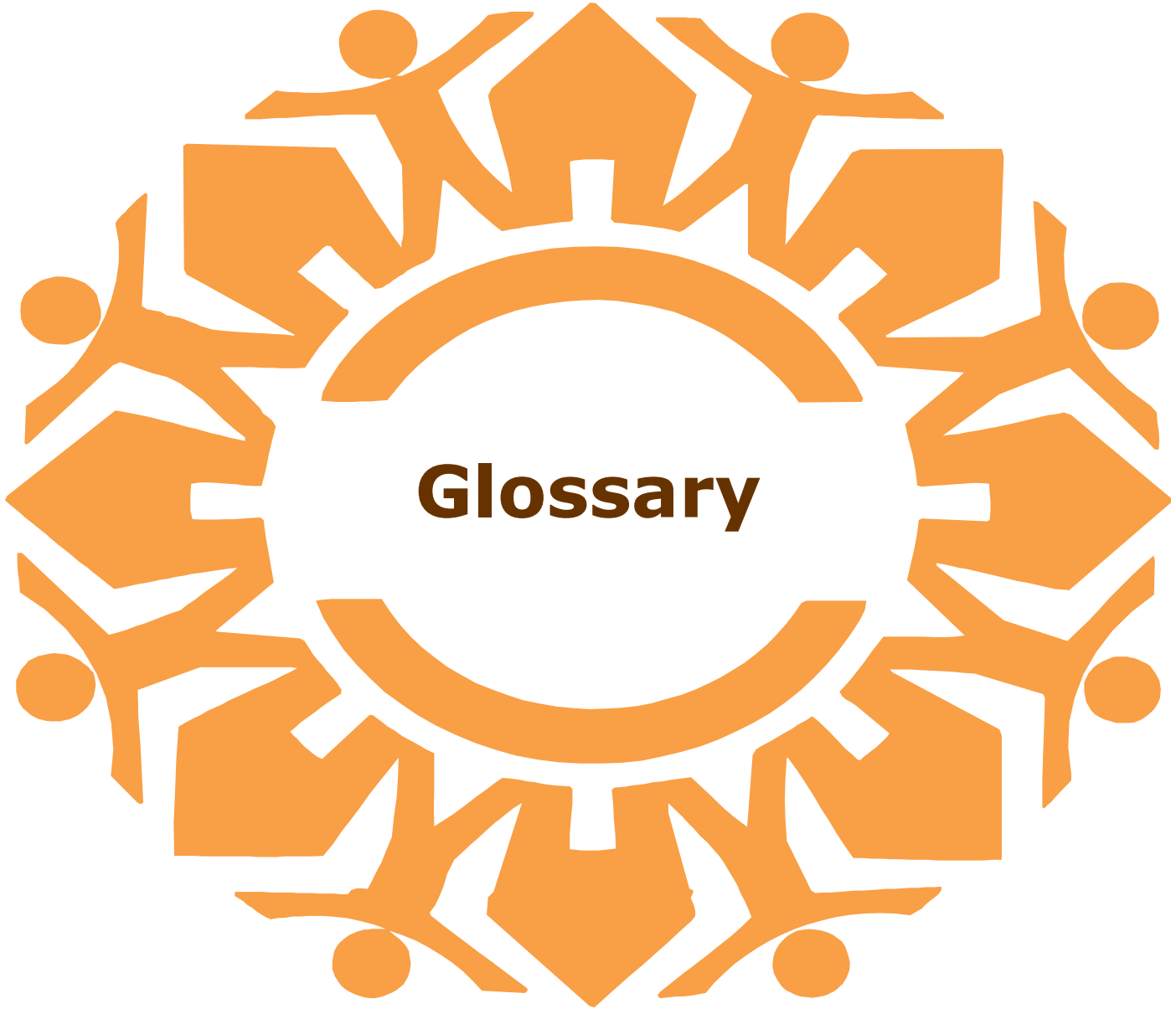
Property Name	FY 2010		FY 2011		FY 2012		FY 2013 Adopted Budget		Total	
	Actual	Amended Budget	Actual	Amended Budget	Interest Payments	Mortgage Insurance	Principal Payments	Debt Service	Interest Payments	Debt Service
General Fund										
Facilities	71,728	115,410	101,340	101,340	24,640	0	65,560	90,200	24,640	65,560
IT	264,287	359,816	335,310	335,310	15,730	0	247,180	262,910	15,730	247,180
Total General Fund	\$336,015	\$475,226	\$436,650	\$436,650	\$40,370	\$0	\$312,740	\$353,110	\$40,370	\$353,110
Multifamily Bond Fund	\$19,525,306	\$20,019,658	\$19,443,270	\$19,443,270	\$19,728,870	\$0	\$0	\$19,728,870	\$0	\$19,728,870
Single Family Bond Fund	\$11,129,004	\$10,897,149	\$11,655,740	\$11,655,740	\$11,262,000	\$12,730	\$0	\$11,274,730	\$11,262,000	\$11,274,730
Opportunity Housing Fund										
Alexander House	1,965,874	1,889,195	1,812,410	1,812,410	1,249,690	105,030	455,800	1,810,520	1,249,690	455,800
Ambassador	0	387,204	387,050	387,050	171,210	9,600	203,240	384,050	171,210	203,240
Barclay	687,984	686,990	685,950	685,950	416,340	46,690	221,830	684,860	416,340	221,830
Brookside Glen (The Glen)	507,000	506,248	505,460	505,460	292,170	28,990	183,480	504,640	292,170	183,480
Chelsea Towers	75,286	73,572	71,720	71,720	26,770	0	43,000	69,770	26,770	43,000
Chey Chase Lake	538,670	537,891	537,080	537,080	325,980	36,550	173,690	536,220	325,980	173,690
Diamond Square	119,334	119,808	119,610	119,610	68,990	7,400	119,400	119,400	68,990	119,400
Fairfax Court	56,583	56,582	56,590	56,590	45,600	0	10,980	56,580	45,600	10,980
Greenhills	318,562	318,562	318,560	318,560	257,060	0	61,500	318,560	257,060	61,500
Holiday Park	101,563	28,213	131,240	131,240	0	0	101,560	101,560	0	101,560
Magruder's Discovery	347,604	73,688	942,800	942,800	741,220	57,850	143,030	942,100	741,220	143,030
McHome	42,717	42,717	42,720	42,720	42,720	0	0	42,720	42,720	0
MetroPointe	1,966,206	1,964,615	1,962,950	1,962,950	1,445,290	160,440	355,480	1,961,210	1,445,290	355,480
Metropolitan, The	2,317,786	2,327,408	2,325,240	2,325,240	1,714,030	134,230	474,680	2,322,940	1,714,030	474,680
Montgomery Arms	854,119	856,239	945,540	945,540	464,310	44,120	330,530	838,960	464,310	330,530
MHLP I	61,798	52,138	52,140	52,140	42,060	0	10,080	52,140	42,060	10,080
MHLP II	0	87,193	54,330	54,330	0	0	0	0	0	0
MHLP III	52,520	46,958	46,960	46,960	0	0	0	0	0	0
MHLP IV	89,460	72,825	72,820	72,820	0	0	0	0	0	0
MHLP V	83,887	76,405	76,410	76,410	0	0	0	0	0	0
MHLP VI	60,791	52,103	52,100	52,100	0	0	0	0	0	0
MPDU 2004	29,777	29,777	29,780	29,780	7,020	0	22,760	29,780	7,020	22,760
MPDU 2007	0	0	57,500	57,500	0	0	0	0	0	0
MPDU I (64)	232,797	232,347	231,870	231,870	117,630	10,080	103,810	231,520	117,630	103,810
TPM - MPDU II (59)	234,318	233,902	233,460	233,460	126,430	12,120	94,450	233,000	126,430	94,450
The Oaks @ Four Corners	288,115	289,048	287,450	287,450	159,060	12,580	115,390	287,030	159,060	115,390
Paddington Square	1,053,636	1,036,400	1,087,590	1,087,590	793,380	0	236,760	1,030,140	793,380	236,760
Paint Branch	44,799	44,799	44,800	44,800	0	0	31,880	31,880	0	31,880
TPM - Pomander Court	47,270	47,187	47,100	47,100	25,510	2,450	19,050	47,010	25,510	19,050
Pooks Hill Mid-Rise	364,608	364,608	364,610	364,610	147,030	0	217,580	364,610	147,030	217,580
Pooks Hill High-Rise	836,672	1,115,563	1,115,560	1,115,560	899,020	0	216,540	1,115,560	899,020	216,540
Scattered Sites One	0	0	0	0	697,320	0	0	697,320	697,320	0
Sligo Hills/ MPDU III	235,376	235,146	234,900	234,900	167,040	14,500	53,100	234,640	167,040	53,100
Strathmore Court	1,219,711	1,215,655	1,212,480	1,212,480	820,710	0	388,280	1,208,990	820,710	388,280
Tanglewood	7,500	7,500	7,500	7,500	0	0	7,500	7,500	0	7,500
TPM-Timberlawn	475,050	474,207	473,320	473,320	256,330	24,570	191,490	472,390	256,330	191,490
Westwood Tower	1,751,086	1,766,651	1,817,810	1,817,810	0	0	1,843,270	1,843,270	0	1,843,270
Total Opportunity Housing Fund	\$17,068,459	\$17,549,344	\$18,445,410	\$18,445,410	\$11,519,920	\$707,200	\$6,353,750	\$18,580,870	\$11,519,920	\$6,353,750
Public Fund										
Capital Fund Grant	0	0	312,530	312,530	312,580	0	0	312,580	312,580	0
Total Public Fund	\$0	\$0	\$312,530	\$312,530	\$312,580	\$0	\$0	\$312,580	\$312,580	\$0
TOTAL AGENCY	\$48,058,784	\$48,741,377	\$50,293,600	\$50,293,600	\$42,863,740	\$719,930	\$6,666,490	\$50,250,160	\$42,863,740	\$6,666,490

Estimated Agency Funds (As of June 30, 2012)

Shown below is the agency's projected income statement and impact on fund balance for all funds for FY 2012 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: 6/30/11	\$22,791,476	\$49,213,958	\$79,751,562	\$21,027,227	\$25,695,856	(\$8,626,664)	\$189,853,415
Revenue:							
Housing Assistance Payments (HAP)	0	0	76,990,728	0	0	0	76,990,728
HAP administrative fees	0	0	5,718,174	0	0	0	5,718,174
Other grants	0	0	11,642,100	0	0	0	11,642,100
State and County grants	0	0	12,147,814	0	0	0	12,147,814
Investment income	0	0	0	6,057,168	1,899,168	0	7,956,336
Unrealized Gains (Losses) on Investment	0	0	0	2,871,378	4,422,768	0	7,294,146
Interest on mortgage & construction loans receivable	0	0	0	16,655,724	11,732,998	(10,782,084)	17,606,638
Dwelling Rental	695,976	52,050,452	5,448,234	0	0	0	58,194,662
Dwelling units sale/loss	0	0	0	0	0	0	0
Management fees and other income	12,631,344	1,540,716	1,779,530	120,912	0	(11,909,838)	4,162,664
Total Operating Income	\$13,327,320	\$53,591,168	\$113,726,580	\$25,705,182	\$18,054,934	(\$22,691,922)	\$201,713,262
Expenses:							
Housing Assistance Payments	0	0	82,586,622	0	0	0	82,586,622
Administration	9,952,196	9,493,436	18,287,928	2,234,514	2,802,550	(8,478,746)	34,291,878
Maintenance	832,806	10,555,084	4,403,126	1,700	0	0	15,792,716
Depreciation and amortization	931,268	10,659,214	4,852,736	0	0	0	16,443,218
Utilities	232,414	4,039,416	1,869,254	0	0	0	6,141,084
Fringe benefits	3,133,076	854,876	4,367,020	0	0	0	8,354,972
Interest Expense	0	13,473,844	0	18,514,704	10,603,238	(10,213,798)	32,377,988
Other	341,562	3,684,832	3,015,156	426,806	0	(2,249,612)	5,218,744
Bad Debt Expense	0	331,599	157,756	0	39,028	0	528,383
Total Operating Expenses	\$15,423,322	\$53,092,301	\$119,539,598	\$20,750,918	\$13,871,622	(\$20,942,156)	\$201,735,605
Operating Income (loss)	(\$2,096,002)	\$498,867	(\$5,813,018)	\$4,954,264	\$4,183,312	(\$1,749,766)	(\$22,343)
Non-operating revenues (expenses):							
Other Grants	0	39,626	0	0	0	0	39,626
State and County grants	0	622,028	0	0	0	0	622,028
Investment income	505,660	(18,784)	20,526	0	0	0	507,402
Unrealized Gains (Losses) on Investment	0	0	0	0	0	0	0
Interest on mortgage & construction loans receivable	125,662	57,525	0	0	0	0	183,187
Interest Expense	(292,514)	0	0	0	0	0	(292,514)
Total Non-operating Income (Loss)	\$338,808	\$700,395	\$20,526	\$0	\$0	\$0	1,059,729
Capital Contributions	\$0	\$0	\$821,922	\$0	\$0	\$0	821,922
Ending Fund Balance: 6/30/12 est.	\$21,034,282	\$50,413,220	\$74,780,992	\$25,981,491	\$29,879,168	(\$10,376,430)	\$191,712,723
Estimated Change in Fund Balance	(\$1,757,194)	\$1,199,262	(\$4,970,570)	\$4,954,264	\$4,183,312	(\$1,749,766)	\$1,859,308
Budgeted Fund Balance: 6/30/13 est.	\$19,746,982	\$52,443,020	\$74,780,992	\$27,533,071	\$31,296,798	(\$10,376,430)	\$195,424,433
Budgeted Change in Fund Balance for FY 2013	(\$1,287,300)	\$2,029,800	\$0	\$1,551,580	\$4,417,630	\$0	\$3,711,710

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



Glossary

Glossary

Adopted Budget
June 6, 2012

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 Resource Service (HRS)

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

Housing Initiative Fund (HIF)

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

Housing Opportunities for Persons With HIV/AIDS (HOPWA)

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

Indenture

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

Indirect Cost

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

Internal Rate of Return

The rate of return of an uneven cash flow.

Jesup Blair House

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

Letter of Credit

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

Leverage

Using existing resources in exchange for a greater benefit.

Limited Partnership

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

Low-Income Tax Credit

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

Maturity Date

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

McHOME Program

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

McKinney-Vento Homeless Assistance Act

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

Mission Statement

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

Moderately Priced Dwelling Unit (MPDU) Law

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

Modified Accrual Basis

A basis of accounting under which revenues are recorded in the period in which they become

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

Mortgage Purchase Program (MPP)

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

Mortgage-backed Securities (MBS)

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

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.

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.

Public Housing

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

Public Housing Homeownership Reserves

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

Public Housing Management Assessment Program (PHMAP)

A national set of performance indicators for Public Housing agencies.

Quasi

Having some resemblance, usually by possession of certain attributes.

Rating Agency

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

REAC

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

Rebate

See Arbitrage rebate.

Redemption

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

Redemption Provision (Bond)

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

Refunding

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

Resident Advisory Board (RAB)

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

Rental Allowance Program (RAP)

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

Rental Housing Production Program (RHPP)

A State program providing loans or grants for acquisition, rehabilitation, new construction, or

rental subsidies. Participating households must meet program income guidelines.

Reserve

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

Revenue Bond

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

Salary Lapse

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

Salary Schedule

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

Section 202

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

Section 221(d)(3)

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

Section 236

A Federal housing program 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.

Service-Linked Housing

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

Servicing Agreement

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

Single Family Mortgage Purchase Program (SFMPP)

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

Shelter Plus Care Program

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

Stabilization

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

State Partnership Rental Housing Program

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

Strategic Plan

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

Supportive Housing Program

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

Tax credit

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

Tax exempt bonds

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

Taxable bonds

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

Tax Credit Partnership

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

Ten Year Rule

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

Thirty-Two Year (32) Rule

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

Turnkey

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)**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.

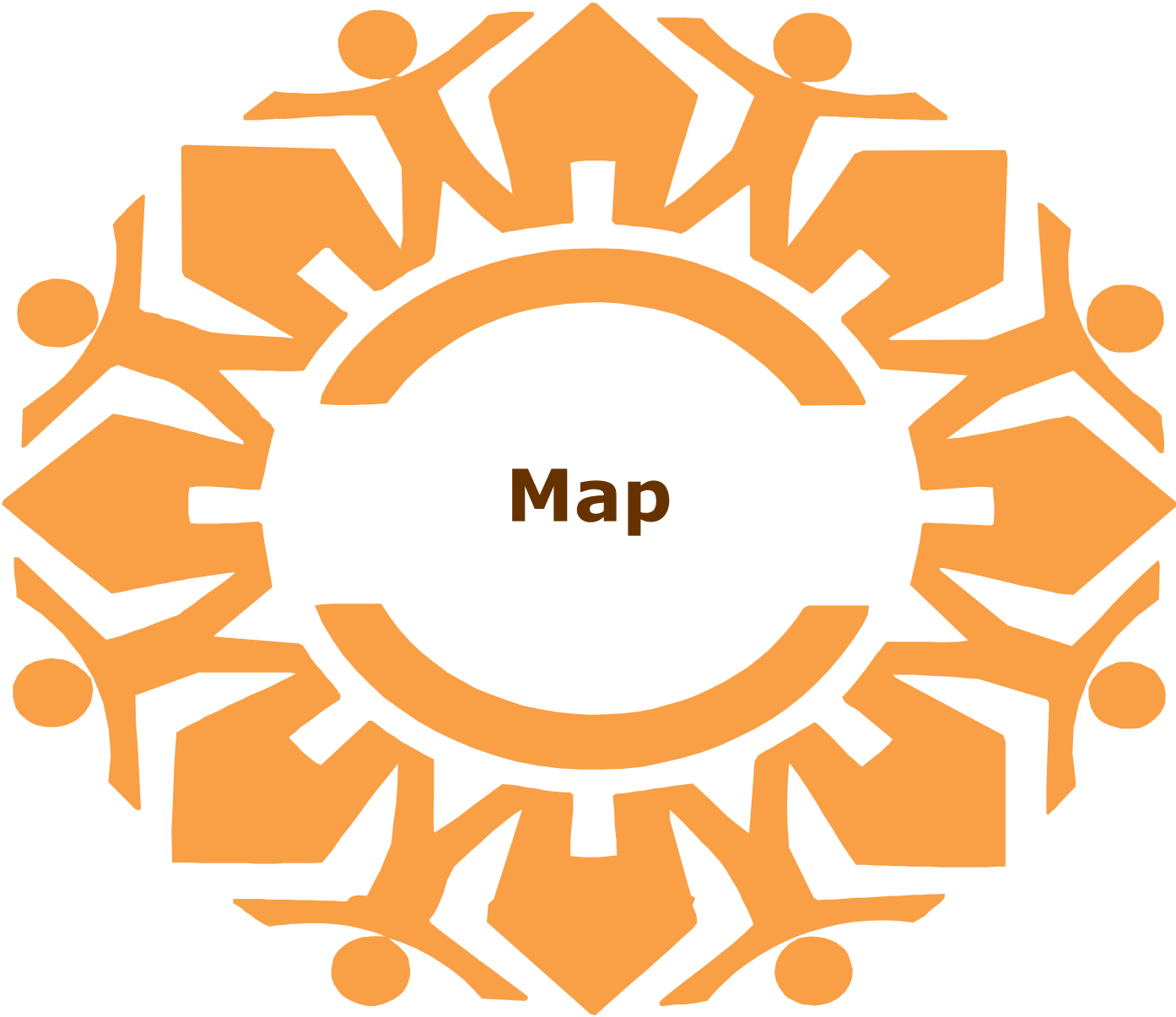
Yield

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

Frequently Used Acronyms

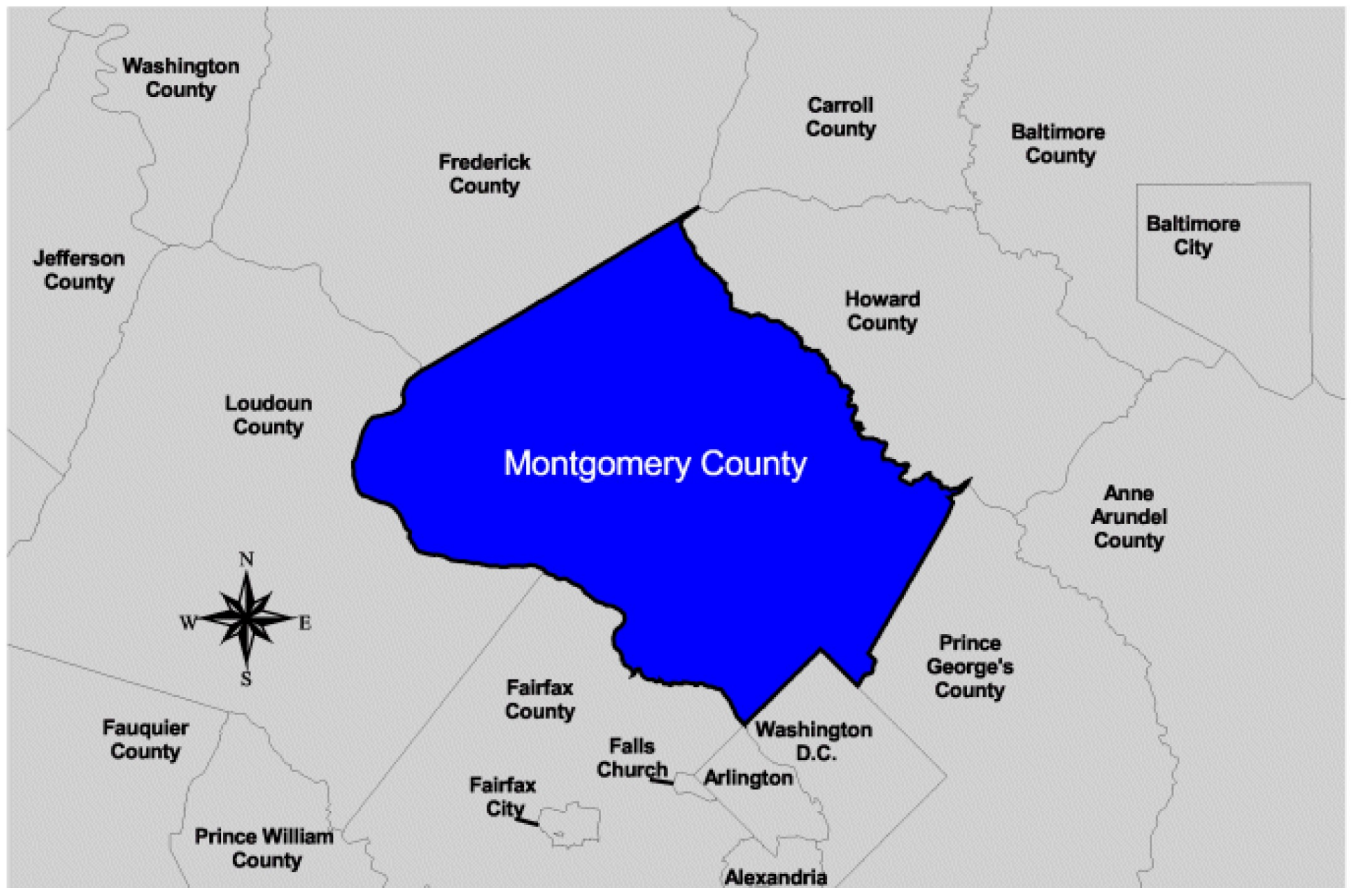
A & O	Policy Admissions and Occupancy Policy	ACOP	Admissions and Continued Occupancy Policy
ACH	Automated Clearing House		

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



Map



Montgomery County, MD and Vicinity



Legend
■ Montgomery County Boundary
■ MD and VA Counties

10 0 10 Miles

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