

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

Adopted Budget Fiscal Year 2009





GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

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

For the Fiscal Year Beginning

July 1, 2007

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, 2007.

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

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

Budget Message

Adopted Budget
June 4, 2008

From The Housing Opportunities Commission

Overview

In formulating the budget for FY 2009, HOC has faced many of the same issues that have plagued us for the last several years. The levels of federal funding for the voucher and public housing programs are uncertain at this time. The State and County are having a difficult time balancing their respective budgets and the outlook on the economy is not good. Expenses have continued to grow faster than revenues with many of the expense categories beyond our control such as insurance, retirement and benefits. Having said that, balancing the budget this year has been difficult but not impossible.

Service Innovations

Included in this year's budget are several innovations. HOC during FY 2008 went through a major re-organization designed to provide better services to its residents. The Rental Assistance Division and elements from Resident Services and Housing Management were merged into the Housing Resources Division. The new division provides services to all of HOC's residents and clients. The staff has been cross-trained in the voucher and public housing programs and the goal is to provide one-stop services to all of HOC's clients.

Concurrent with the re-organization is the opening of two Customer Service Centers – one in

Gaithersburg and one on Georgia Avenue in Silver Spring. The centers will be entirely devoted to customer service. The locations were chosen to move HOC services closer to where the HOC residents live and to be more accessible to public transportation. The Customer Service Center in Gaithersburg will open in May and the one in Silver Spring shortly thereafter.

In the Pipeline

During FY 2009, HOC will open MetroPointe in Wheaton. This 173-unit apartment building will feature 53 affordable units. The location at the Metro station and the large proportion of affordable units make this property an important addition to the Wheaton community.

HOC in FY 2009 will be involved in its first workforce housing projects, both in partnership with the County's Department of Housing and Community Affairs. HOC is managing the conversion of 49 units in King Farm to condominiums. HOC has also been chosen to develop 15 workforce housing units on Edson Lane in the White Flint area. This project will use excess county land to provide for-sale housing to those who work in Montgomery County.

Generating Revenue

This budget reflects HOC's success in obtaining funding from a variety of sources. The Agency received

Special points of interest:

"The FY 2009 Budget strives to provide for the needs of HOC and its clients and residents. It reflects the uncertainties of government funding and the unpredictability of the economy."

\$397,031 from HUD for the Family Self-Sufficiency Program. That is an increase of nearly \$50,000 over FY 2008. In all, the Agency received a total of almost \$13 million in grant funding.

Housing Opportunities and Concepts (HO&C), the for-profit arm of the Agency, is ahead of projections in terms of generating new clients and revenues. During FY 2008, HO&C secured contracts with the City of Alexandria and Suffolk County in Virginia as well as Wicomico County in Maryland.

As always, the FY 2009 Budget strives to provide for the needs of HOC and its clients and residents. It reflects the uncertainties of government funding and the unpredictability of the economy. It also implements HOC's vision of how to deliver high quality service to its clients, residents and landlords through a new customer service model. This budget continues to propel HOC along a path of innovation, improvement and accomplishment.

Table of Contents

Adopted Budget
June 4, 2008

FY 2009 Recommended Budget

Budget Message	i	Operating	
Reader's Guide	v	Division Summaries	2-1
Budget Overview	vii	Executive Division	2-3
Summary		Finance Division	2-7
Vision Statement and Strategic Plan Goals	1-1	Housing Management Division	2-11
FY 2009 Initiatives	1-1	Housing Resources Division	2-21
Operating Budget	1-4	Mortgage Finance Division	2-25
Source and Use of Funds	1-5	Real Estate Division	2-31
Total Agency Operating Budget Summary	1-7	Resident Services Division	2-35
General Fund Summary	1-11	Capital Budget	
Public Fund (Grants) Summary	1-13	Summary	3-1
Public Housing Summary	1-14	Personnel Assumptions	
Housing Choice Voucher Program Summary	1-17	Summary	4-1
Opportunity Housing and Development Corp.	1-19	Appendix	
Bond Funds	1-22	Program History	5-1
		Units Owned, Managed and Administered	5-9
		General Financial Information	5-17
		Glossary	5-35
		Map	5-47

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Reader's Guide

Adopted Budget
June 4, 2008

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 2008 to FY 2009.

Page vii Budget Overview

This section includes:

- Overview – Revenue and Expense Summary
- Fund Structure
- Agency Fund Description
- Budget Process
- FY 2009 Budget Focal Points
- Overview – Strategic Plan
- Operating Budget
- FY 2009 Revenue and Expense Statement

Page 1-1 Budget Summary Information

This section includes:

- Mission and Vision Statement
- Overview of the Agency Strategic Plan
- Initiatives for FY 2009
- 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.

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 4, 2008

Overview—Revenue and Expense Summary

Fund Summary Overview

FY 2009 Adopted Budget

	Revenues	Expenses	Net
General Fund	\$16,583,860	\$17,831,290	(\$1,247,430)
Multi-Family Bond Funds	\$23,979,050	\$23,979,050	\$0
Single Family Bond Funds	\$14,667,550	\$14,667,550	\$0
Opportunity Housing Fund			
Opportunity Housing Reserve Fund (OHRF)	\$1,038,000	\$921,840	\$116,160
Restricted to OHRF	\$0	\$116,160	(\$116,160)
Opportunity Housing & Development Corporation Properties	\$44,762,000	\$42,885,060	\$1,876,940
Public Fund			
Public Housing Fund	\$10,946,100	\$10,946,100	\$0
Housing Choice Voucher Program	\$68,922,390	\$69,551,900	(\$629,510)
Federal, State and County Grants	\$14,449,830	\$14,449,830	\$0
TOTAL - ALL FUNDS	\$195,348,780	\$195,348,780	\$0

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

Fund Structure

This section summarizes the Agency's FY 2009 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 2009 Adopted 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 74% of HOC's revenue sources, and can better analyze the relationship between the budget and the Agency's year-end financial statements. The five Funds are:

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

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

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

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

There are two separate Bond Funds:

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

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

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

Agency Fund Description

General Fund	Opportunity Housing Fund	Public Fund	Bond Funds (Single & Multi-Family)
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Sources

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

Uses

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

Project / Grant funds included in each Agency Fund

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

Basis for Budgeting

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

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

Budget Adoption and Amendment

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

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

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

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

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

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

Executive Director's Budget Authorization

The Executive Director is:

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

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

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

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

Reporting

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

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

Conclusion

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

Public Participation in the Budget Process

As a public corporation, the Housing Opportunities Commission is committed to involving citizens in the Agency's programs. The agenda for all meetings of the Commission is posted on the Agency's website at www.hocmc.org. In addition, the Commission operates an agenda information line which provides information to the public on the upcoming agenda, 240-773-9382. The Special Assistant to the Commission can be contacted directly at 240-773-9025. Civic associations are informed of the agenda items related to their concerns prior to the Commission meeting where such concerns will be discussed. Public forums are held at each meeting of the Commission to allow for citizen comments. All regular Commission meetings are held in the evening.

Prior to Commission consideration of the FY 2009 Budget, notice was placed in the main County newspaper of general circulation (*The Gazette*), notifying the public of the date on which the budget would be presented, the opportunity for public comment at that meeting, and the availability of the document at the Commission offices. In addition, a copy of the budget document was placed in the municipal collection at the County library. HOC also relies on citizen participation mechanisms of the governments that fund its programs. For example, the funds that HOC receives from Montgomery County are subject to public scrutiny through the County's rigorous citizen participation process.

HOC's approved budget is disseminated to all elected officials and placed in the municipal collection at the County library. In addition, a

budget-in-brief is prepared for the annual report and distributed widely throughout the County.

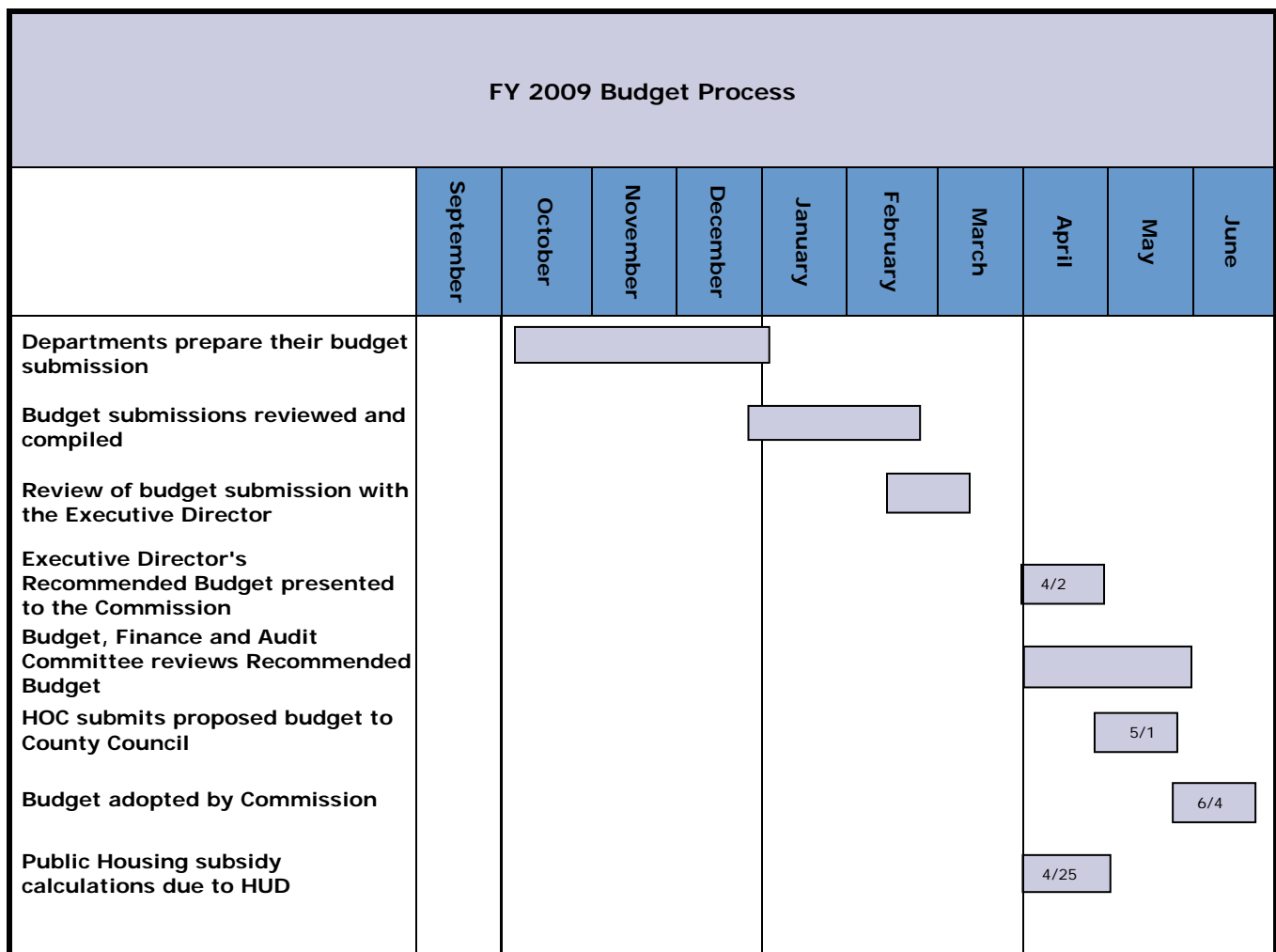
Budget Calendar—FY 2009

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 of 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 2009 Budget Process



FY 2009 Budget Focal Points

Housing Resources

HOC's 2007 Strategic Plan proposed the development of two Customer Service Centers (CSC) to provide easier access, greater efficiency, and better customer service to our clients and community. A major reorganization was undertaken to accomplish this goal. Most of the employees from Rental Assistance, and some Property Management, Finance, and Resident Services Division employees were redeployed to the new Housing Resources Division which operates the centers. The change in staffing assignments was designed to create a coordinated high standard of customer service in a more logical, consumer friendly manner. The Centers, one in Gaithersburg, and the other in Silver Spring, provide "one stop" services to clients, landlords and the community. The Centers certify, recertify and counsel individuals in all HOC programs including Housing Choice Voucher, Public Housing and Opportunity Housing units. The Centers represent a significant organizational outreach effort to clients who require direct assistance in obtaining and remaining in subsidized housing. It is our expectation that almost 10,000 families will be served in the Centers.

Each CSC was developed to provide improved efficiency and better customer service through advanced technology, ongoing employee training, and greater access for clients in two centralized, easy to reach parts of Montgomery County.

Project Based Asset Management for Public Housing

The FY 2009 Adopted Budget represents the second year that Public Housing will be operating under the New Asset Management model mandated by The Department of Housing and Urban Development (HUD). Under this model, each Asset Management Project (AMP) is managed, budgeted and accounted for as a stand alone property. Originally, HUD mandated that agencies would not be able to allocate overhead to Public Housing based on a cost allocation plan. Instead, agencies would charge each AMP a HUD established fee to cover the indirect cost of the PHA. Recently, HUD has allowed for a three year phase-in period to afford agencies an opportunity to bring their overhead cost in

line with the allowed fee structures. During this period, agencies will now be allowed to use their cost allocation plan as a basis for allocated overhead to the AMPs. For FY 2009, HOC will allocate overhead to the AMPs based on the per unit per month rate calculated for family properties in our latest Cost Allocation Plan.

HOC's Public Housing Operating Subsidy Budget is based upon a 83.4% funding rate from HUD. This funding rate coupled with a \$200,000 operating transfer from the Capital Fund Grant, monies received from the County and the return to allocating overhead to the AMPs results in a projected deficit of \$21,010 in Public Housing for FY the 2009 Adopted Budget. This deficit will be covered by Public Housing reserves.

Housing Choice Voucher (HCV) Program

The funding levels supporting the Housing Choice Voucher and Section Eight programs in FY 2009 require a conservative budget approach. HUD funds the programs on a calendar year basis and not a fiscal year. For CY 2008, HUD did not announce the funding levels until mid-March after the program was re-benchmarked for twelve months of activity. The CY 2008 subsidy level was slightly higher than CY 2007; however, the funding for administrative costs was changed to a program utilization level instead of a flat fee. Agencies have been cautioned that the CY 2009 funding levels will be lower than the CY 2008 levels; however, there is limited information as to how the funding will be calculated or affected.

The FY 2009 Adopted Budget was developed based on the funding level for CY 2007 of \$64.4 million. HOC projected a 5% reduction of the calendar CY 2007 funding levels for the second half of FY 2009, which results in a 2.5% reduction overall for FY 2009.

County Budget

Montgomery County remains an important partner in the work of the Commission. The County Executive's (CE) Adopted FY 2009 Budget provides \$6,040,640 for HOC's operating budget.

Approximately 72% or \$4,321,959 of the funds received are used for Resident Services.

Public Relations receives \$257,801 or 4% of the funding. Another 4% or \$243,064 is used for Housing Resource Services. Approximately 3% or \$179,896 is used to support the acquisition of Moderately Priced Dwelling Units (MPDUs) for rental to lower income families. HOC's properties utilize \$1,037,920 or 17% of the allocation to pay for Rental License Fees charged by the County, to offset rising utility and Home Owner Association (HOA) Fees at our low-income and affordable properties, and to offset utility payments associated with the Holy Cross Senior Source Center at Elizabeth House.

Finally, recognizing the importance of retaining experienced staff members, the CE's FY 2009 Adopted Budget provides for staff compensation adjustments.

In addition, the County will be providing more than \$6 million in capital improvement funds over the next five years to address ongoing capital improvement needs at HOC's Public Housing properties.

Property Activity

HOC projects \$3.3 million in net property income that will be available to support Agency operations. This is an increase of \$314,560 from FY 2008. Changes in cash flow restrictions to support property renovations continue to be a challenge for the Agency. For the second year, cash flow from The Metropolitan will be used to finance renovations of the market rate units at the property. In addition, Pooks Hill High-Rise and Magruders Discovey will be undergoing renovations. As a result of the financing plans, debt for the properties will be covered by the development budgets. A portion of this saving will be taken as cash flow to the Agency. Finally, \$250,000 of the projected cash flow for Timberlawn will be restricted for balcony repairs at the property.

In February 2008, the County Executive released his in place rental increase recommendation of 3.1%. Property budgets were prepared assuming in place rental increases of between 1% and 3.1%.

Mortgage Finance

The Mortgage Finance Division operates in an environment that has experienced much turbulence over the past year, linked directly to the effects of sub-prime lending on the country's financial system. The Agency's Single Family and Multi-Family Bond Programs

have been affected to some degree, but measures have been taken to limit the cost to the Agency.

At the same time, because of the tightening of credit and sharp increase in foreclosures, the Agency's Single Family Program continues to be an attractive financing option for first time homebuyers. By the close of FY 2008, the Agency completed the issuance of approximately \$87 million of taxable and tax-exempt bonds that funded homeownership opportunities for 250 new households in FY 2008. A portion of these proceeds will continue to provide homeownership in FY 2009, but it is also anticipated that two additional bond issuances will be completed to generate approximately \$60 million of mortgage proceeds for the Single Family Mortgage Purchase Program.

The Multi-Family Program continues to provide funding to reduce the overall borrowing cost while it raises capital to fund the needs of the Agency. In FY 2008, the Multi-Family Program provided approximately \$80 million of funding to restructure existing bonds, lower current borrowing cost, and fund new initiatives, while contributing \$163,760 in Commitment Fees and \$1.5 million in Loan Management Fees. In FY 2009, approximately \$530,000 in Commitment Fees and \$1.4 of Loan Management Fees will be provided to the Agency's Operating Budget. The next fiscal year will present its challenges as we navigate the difficult financial landscape. However, we are projected to complete three bond issuances that will yield approximately \$57 million to meet the affordable rental housing goals of the Agency.

With the passage of a major housing bill by the Federal Government, opportunities will be created for housing finance agencies such as HOC, and the Agency is poised to capitalize on these opportunities to boost its affordable rental housing and homeownership programs.

Real Estate Development

MetroPointe, a mixed-income development located on the site of the Wheaton Metro station and Kiss and Ride parking lot is scheduled for lease in the Fall of 2008 and will contribute to the revitalization of the Wheaton area and assist in a reduction of traffic by providing housing at a Metro station. Forest Oak Towers, acquired in March 2007, is undergoing modest upgrades to the units with

the residents in place and is expected to be completed by November 2008. Aspen Court, a vacant 16 unit apartment building in Takoma Park was acquired in September 2007 with County funding and will be rehabilitated for occupancy in FY 2009. Forty nine rental units in the King Farm community were put under contract based on the County's Right of First Refusal and acquired on March 17, 2008. The units will be updated and sold as workforce housing. Sales of the units are expected to begin in the fall of 2008. Additional projects including the production of workforce housing and Moderately Priced Dwelling Units (MPDU) are currently being developed.

Real Estate recently completed comprehensive

rehabilitations of three HOC projects—The Barclay, Spring Garden and Chevy Chase Lake Apartments. Rehabilitation has begun on Pooks Hill High-Rise Apartments and staff is currently reviewing options for the substantial renovation of Tanglewood Apartments.

Housing Opportunities and Concepts (HO&C), presently an operating unit within HOC with its own full time staff, offers development advisory services and works in conjunction with the Real Estate Development Division. Currently, HO&C is working as development advisor to clients in Maryland, the District of Columbia and Virginia.

Overview—Strategic Plan

Every two years, 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. 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 Strategic Plan, completed in 2007, focuses HOC's efforts in developing and implementing innovative solutions to the problem of meeting the County's ever-expanding need for affordable housing. As the County's housing authority and housing finance agency, HOC has a significant responsibility in this arena. The Strategic Plan provides the Commission's guidance to the staff on fulfilling HOC's role.

HOC has resolved to focus its major efforts on the following six primary areas. It is important

to note that each area is of equal importance to the Commission.

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

Operating Budget

HOC has an operating budget for FY 2009 of \$195.3 million. Revenues are generated in two ways:

- Grants, other funding sources, and the cash flow from HOC properties generate 77.71% of total revenues.
 - \$50.4 million (25.80%) is from property rents and service income.
 - \$86.8 million (44.42%) is from Federal, State and County grants.
 - \$78.8 million (40.31%) is from Federal grants, which includes \$63.8 million in HUD Housing Choice Voucher Assistance Payments that are passed through to Montgomery County landlords, for which HOC earns administrative fees.
 - \$7.9 million (4.06%) is from grants from Montgomery County for specific activities, including the administration

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

- \$0.1 million (.05%) is from various State grants.
 - \$14.6 million (7.49%) 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 22.29% of total revenues.
 - \$36.7 million (18.79%) is from mortgage interest income which pays the debt service on HOC housing revenue bonds and interest earned on cash investments.
 - \$6.8 million (3.50%) is from miscellaneous bond financing operations.

FY 2009 Revenue and Expense Statement

Operating Budget		Non-Operating Budget	
Operating Income		Non-Operating Income	
Tenant Income	\$48,877,650	Investment Interest Income	\$36,165,240
Non-Dwelling Rental Income	\$1,525,060	FHA Risk Sharing Insurance	\$537,440
Federal Grant	\$78,743,820	Transfer Between Funds	\$6,836,090
State Grant	\$103,080		
County Grant	\$7,922,650		
Management Fees	\$14,256,990		
Miscellaneous Income	\$380,760		
TOTAL OPERATING INCOME	\$151,810,010	TOTAL NON-OPERATING INCOME	\$43,538,770
Operating Expenses		Non-Operating Expenses	
Personnel Expenses	\$34,229,550	Interest Payment	\$38,440,770
Operating Expenses - Fees	\$15,259,820	Mortgage Insurance	\$571,360
Operating Expenses - Administrative	\$3,957,390	Principal Payment	\$4,995,400
Tenant Services Expenses	\$3,254,230	Operating and Replacement Reserves	\$6,453,480
Protective Services Expenses	\$683,850	Restricted Cash Flow	\$4,174,500
Utilities Expenses	\$5,882,850	Development Corporation Fees	\$1,454,510
Insurance and Tax Expenses	\$814,130	Miscellaneous Bond Financing Expenses	\$1,229,930
Maintenance Expenses	\$5,763,050	FHA Risk Sharing Insurance	\$537,440
Housing Assistance Payments (HAP)	\$64,046,540	Transfer Out Between Funds	\$3,599,980
TOTAL OPERATING EXPENSES	\$133,891,410	TOTAL NON-OPERATING EXPENSES	\$61,457,370
NET OPERATING INCOME	\$17,918,600	NET NON-OPERATING ADJUSTMENTS	(\$17,918,600)

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 and FY 2009 Initiatives
- Operating Budget Fund Summary
- Revenue Restrictions
- General Fund Summary
- Grant Summary
- Public Housing Fund Summary
- Housing Choice Voucher Fund Summary
- Property Listings
- Bond Program

Strategic Plan Goals and FY 2009 Initiatives

HOC implements a Strategic Plan on a bi-annual basis. The most current Plan was developed in 2007 and focuses on HOC's efforts in developing and implementing innovative solutions to the problem of meeting the County's ever-expanding need for affordable housing.

Preserve and produce affordable and workforce housing in Montgomery County.

- Acquire and finance units to preserve their long-term affordability and to increase opportunities for households at lower income levels to find homes throughout the County.
- Negotiate extended affordability with owners of multi-family properties.
- Identify land for future development or redevelopment
- Pursue publicly-owned land for new development of affordable housing.
- Pursue opportunities for transit-oriented housing developments.
- Expand homeownership opportunities to a broader income range of Montgomery County families and workers while continuing efforts to de-concentrate poverty.

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

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

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

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

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

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

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

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

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

- Develop and pursue legislation and policy at all levels of government to secure adequate and reliable funding for affordable housing and supportive services.
- Strengthen HOC's relationships with government at the local, state and federal levels.
- Pursue legislation and policy that enhance the creation and preservation of affordable housing and related activities.
- Strengthen HOC's relationships with the community, industry, nonprofit and for-profit housing organizations and develop new partners.
- Encourage Montgomery County to identify the scope of the affordable housing deficiency and steps to address it.
- Raise public awareness of HOC's goals and accomplishments.
- Assure effective involvement of HOC in the planning process, council, state and federal public hearings and civic and neighborhood meetings.
- Expand HOC's advocacy efforts through broader Commission, staff and resident participation.

Legislative Priorities

Each year, the Commission adopts legislative priorities to guide HOC's advocacy on the County, State and Federal levels. The Legislative and Regulatory Committee, with the assistance of the Interdepartmental Legislative Work Group (LWG), surveys the legislative, budget and regulatory environment at the three levels of government. Members research possible priorities and present recommendations to the LWG.

Once the LWG reaches consensus on a menu of priorities, the Legislative and Regulatory Committee of the Commission reviews and, if necessary, modifies the draft for presentation to the full Commission. In November of each year, the Commission formally adopts its slate of legislative priorities.

The Commission's priorities on the County level are:

- Review the recommendations of the Affordable Housing Task Force and take action as appropriate.
- Continue to support the use of surplus County-owned land for the construction of affordable housing. Promote the co-location of housing with public facility construction and renovation.
- Support an increase in County financial support for production and operation of permanent housing for homeless individuals and families, including providing services to support housing stability.
- Increase funding to support programs for low-income households that contribute to their self-sufficiency, such as child care (Working Parents Assistance Program) and the Family Self-Sufficiency Program (FSS).
- Support funding for services for residents with disabilities and other special needs populations to achieve the objective of providing stable housing to that population. Support continuation of the County's Supportive Housing Rental Assistance Program (SHRAP).

- Support the Commission's Capital Improvements Program and the operating budget request to the County.

On the State level:

- Support increased funding for the Partnership Rental Housing Program and the Rental Housing Production Program.
- Support an increase in funding for the Homelessness Prevention (HPP), emergency assistance and Service Lined Housing Programs.
- Support an increase in funding for support programs for low-income households that contribute to their self-sufficiency, such as health insurance (MCHIP) and child care (Purchase of Care).
- Support statewide legislation to prohibit discrimination in rental housing based on source of income.
- Monitor progress of legislation relating to HOC's authority to contract for services and take action as needed.
- Monitor the Legislature's actions on revenue measures and respond as appropriate on issues that have an impact on HOC.

On the Federal level:

- Support adequate funding for low-income housing programs. Support continuation of the mandate for the FSS program.
- Support changes to asset management for Public Housing.
- Support the creation of a national affordable housing trust fund.
- Support the elimination of mandatory community service requirements.
- Support the Section 8 Voucher Reform Act (SEVRA).

Operating Budget

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

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

The following pages of the section highlight the Agency's FY 2009 Operating Budget.

The charts on pages 1-5 and 1-6 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 xvi shows the FY 2009 Operating Budget by accounting classification. This chart summarizes all Agency Funds. The FY 2009 Operating Budget is balanced.

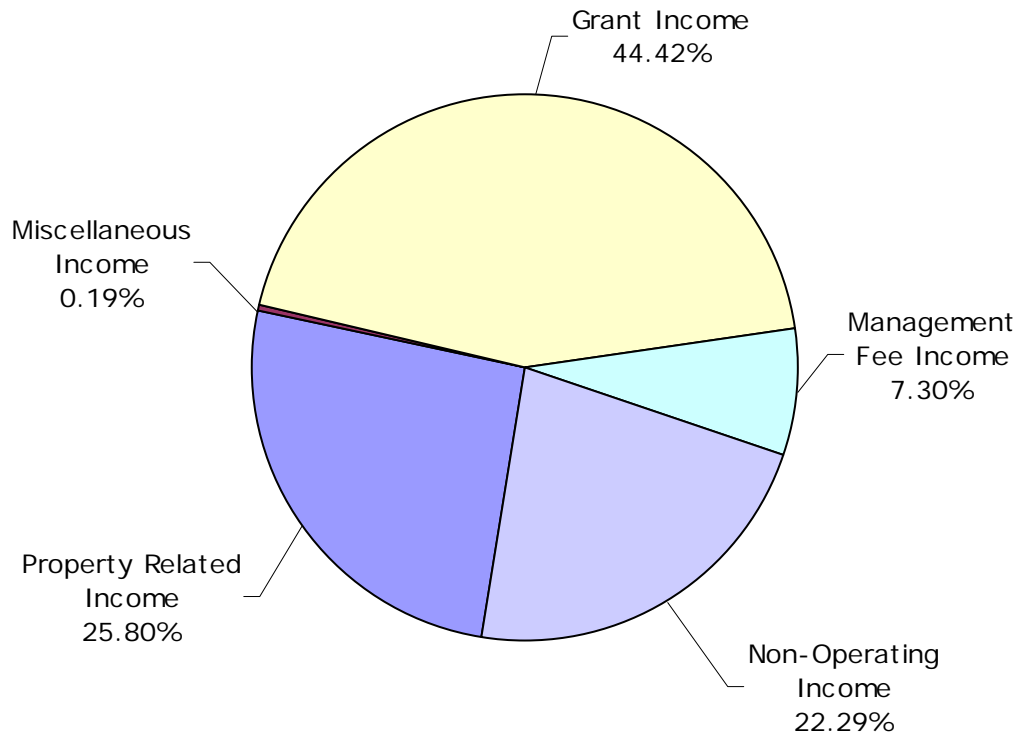
The chart on page 1-10 illustrates the FY 2009 external as well as internal revenue restrictions. Although HOC has a \$195.3 million budget, only 8.21%, or \$16.0 million, may be used by the Commission for discretionary expenses.

The chart on page 1-11 summarizes the General Fund. In FY 2009 the Net Operating Deficit decreased by \$.8 million.

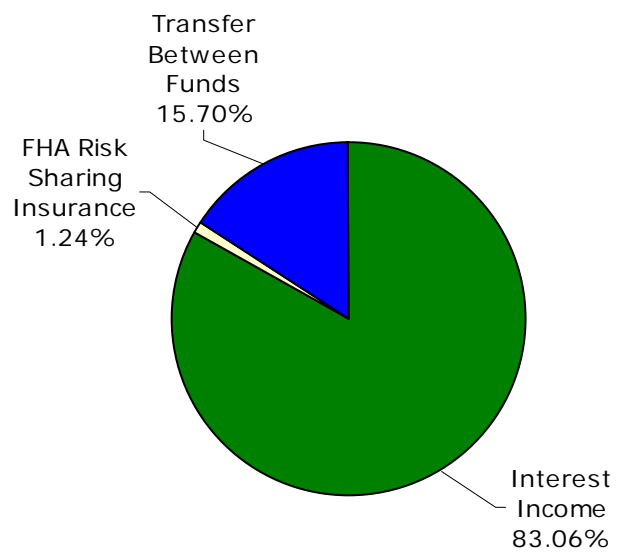
Charts are also included in this section which show the revenue, expense and net cash flow for the properties as well as the annual operating budget for each of the grants.

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

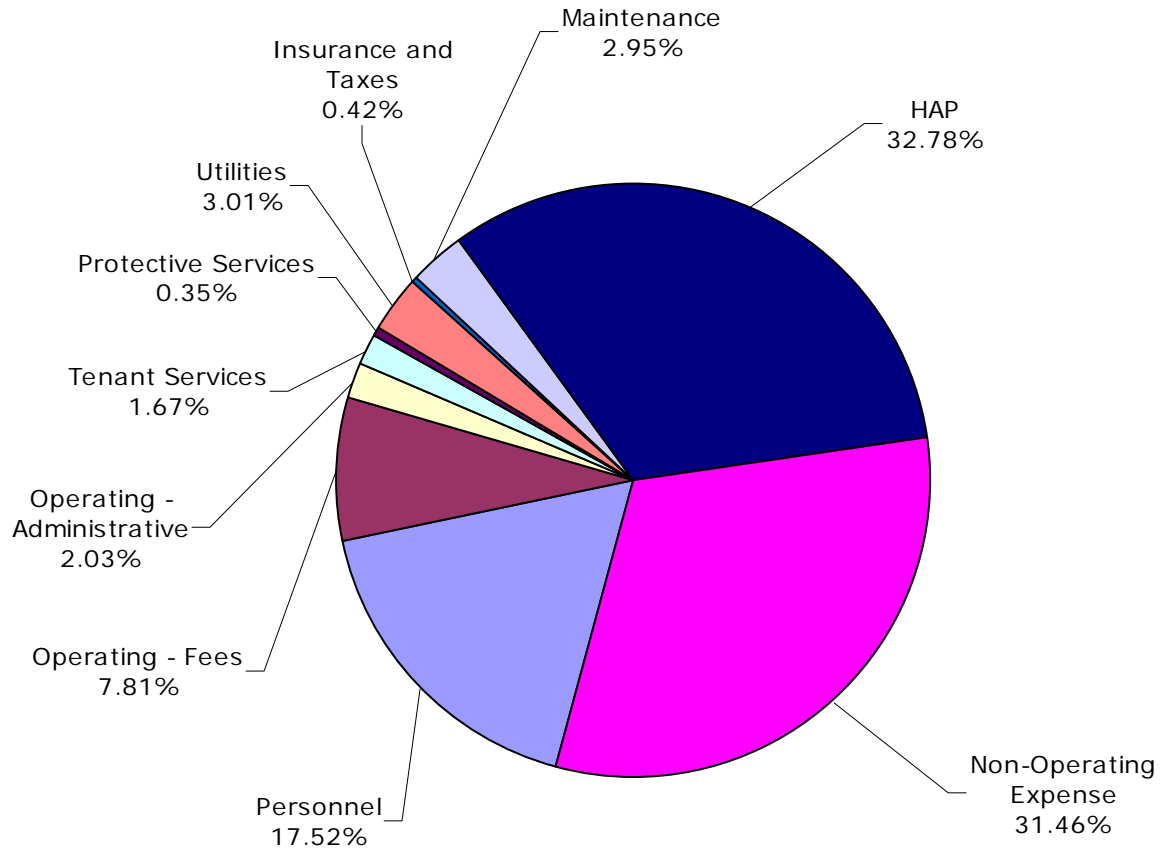
Source of Funds



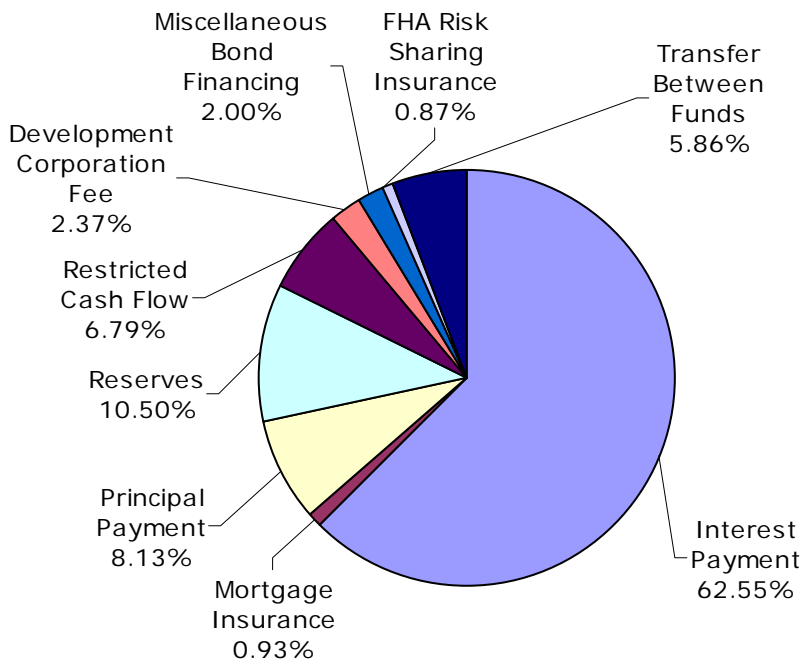
Non-Operating Income



Use of Funds



Non-Operating Expense

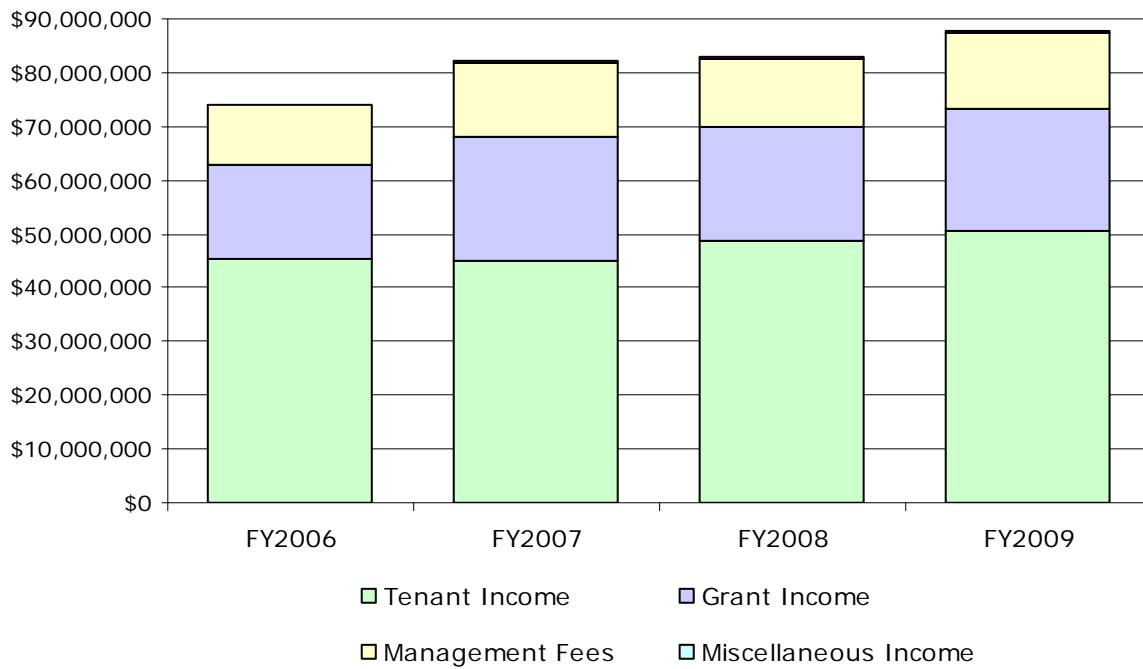


Total Agency—Revenue and Expense Statement

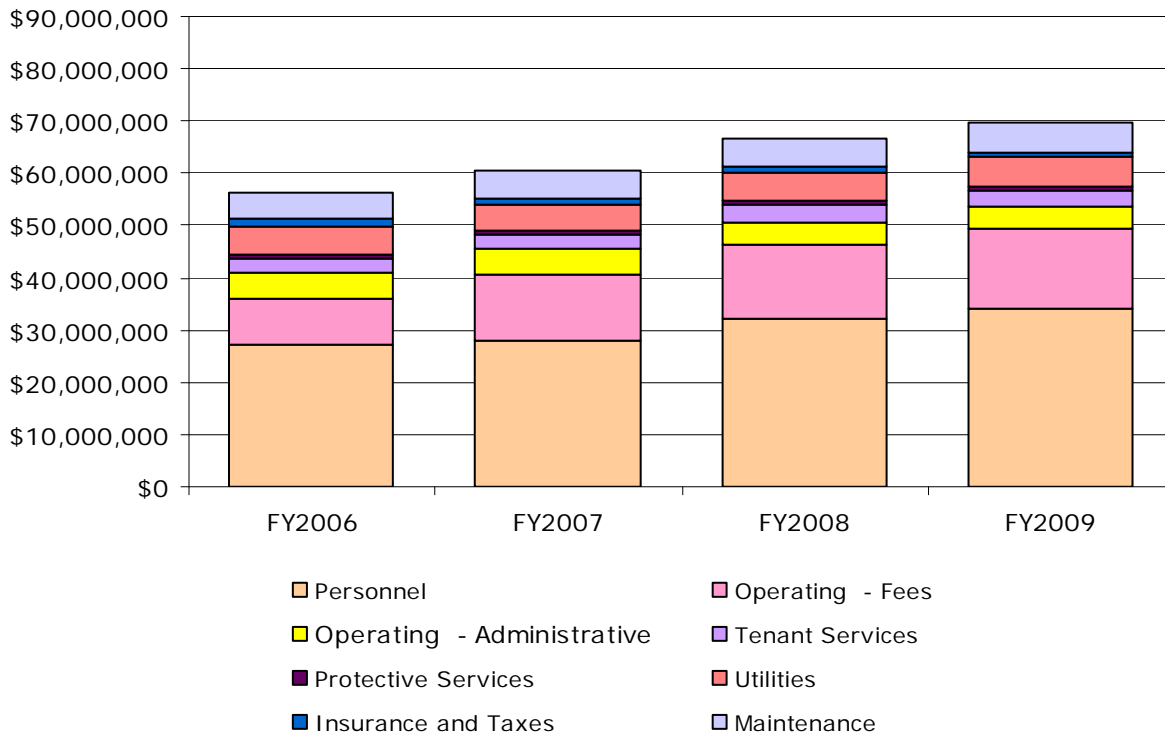
	FY 2006	FY 2007	FY 2008	FY 2009
Total Revenue and Expense Statement	Actual	Actual	Amended Budget	Adopted Budget
Operating Income				
Tenant Income	\$44,062,457	\$43,816,337	\$47,147,790	\$48,877,650
Non-Dwelling Rental Income	\$1,155,331	\$1,193,939	\$1,662,560	\$1,525,060
Federal Grant	\$74,105,353	\$77,032,996	\$77,100,170	\$78,743,820
State Grant	\$88,034	\$101,709	\$196,070	\$103,080
County Grant	\$6,431,180	\$7,031,563	\$7,607,120	\$7,922,650
Management Fees	\$10,925,905	\$13,773,914	\$12,556,670	\$14,256,990
Miscellaneous Income	\$244,134	\$177,527	\$566,730	\$380,760
TOTAL OPERATING INCOME	\$137,012,394	\$143,127,985	\$146,837,110	\$151,810,010
Operating Expenses				
Personnel Expenses	\$27,119,343	\$28,043,491	\$32,050,660	\$34,229,550
Operating Expenses - Fees	\$8,962,027	\$12,440,547	\$14,207,300	\$15,259,820
Operating Expenses - Administrative	\$4,873,720	\$5,010,690	\$4,208,310	\$3,957,390
Tenant Services Expenses	\$2,824,865	\$2,723,929	\$3,524,020	\$3,254,230
Protective Services Expenses	\$768,726	\$650,477	\$690,210	\$683,850
Utilities Expenses	\$5,151,066	\$5,231,707	\$5,446,120	\$5,882,850
Insurance and Tax Expenses	\$1,443,887	\$1,183,406	\$1,210,350	\$814,130
Maintenance Expenses	\$5,103,765	\$5,294,981	\$5,452,180	\$5,763,050
Housing Assistance Payments (HAP)	\$62,829,218	\$61,005,185	\$63,846,970	\$64,046,540
TOTAL OPERATING EXPENSES	\$119,076,617	\$121,584,413	\$130,636,120	\$133,891,410
NET OPERATING INCOME	\$17,935,777	\$21,543,572	\$16,200,990	\$17,918,600
Non-Operating Income				
Investment Interest Income	\$36,862,640	\$40,134,246	\$35,264,950	\$36,165,240
FHA Risk Sharing Insurance	\$570,740	\$603,161	\$525,130	\$537,440
Transfer Between Funds	\$9,693,835	\$10,696,840	\$7,501,110	\$6,836,090
TOTAL NON-OPERATING INCOME	\$47,127,215	\$51,434,247	\$43,291,190	\$43,538,770
Non-Operating Expenses				
Interest Payment	\$38,686,621	\$38,404,541	\$38,077,040	\$38,440,770
Mortgage Insurance	\$634,296	\$630,235	\$547,460	\$571,360
Principal Payment	\$4,991,043	\$5,385,657	\$5,235,990	\$4,995,400
Operating and Replacement Reserves	\$5,242,844	\$13,416,266	\$6,048,400	\$6,453,480
Restricted Cash Flow	\$5,704,074	\$3,601,820	\$3,332,430	\$4,174,500
Development Corporation Fees	\$1,177,557	\$1,639,626	\$1,444,540	\$1,454,510
Miscellaneous Bond Financing Expenses	\$1,205,080	\$1,457,507	\$1,196,300	\$1,229,930
FHA Risk Sharing Insurance	\$570,740	\$606,075	\$525,130	\$537,440
Transfer Out Between Funds	\$6,135,654	\$6,526,766	\$3,084,890	\$3,599,980
TOTAL NON-OPERATING EXPENSES	\$64,347,909	\$71,668,493	\$59,492,180	\$61,457,370
NET NON-OPERATING ADJUSTMENTS	(\$17,220,694)	(\$20,234,246)	(\$16,200,990)	(\$17,918,600)
NET CASH FLOW	\$715,083	\$1,309,326	\$0	\$0

Operating Budget—Total Agency

Total Operating Income w/o HAP

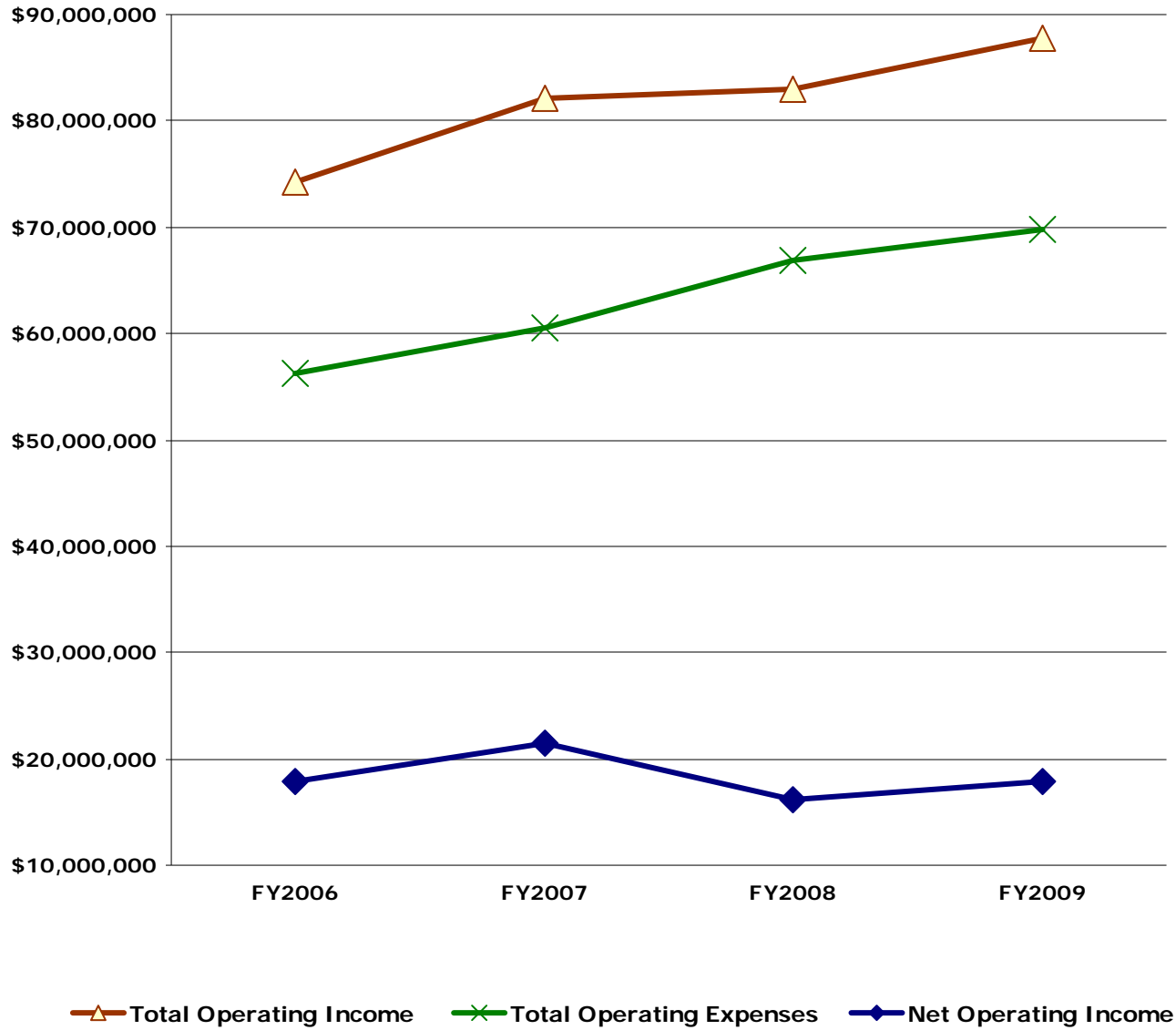


Total Operating Expenses w/o HAP



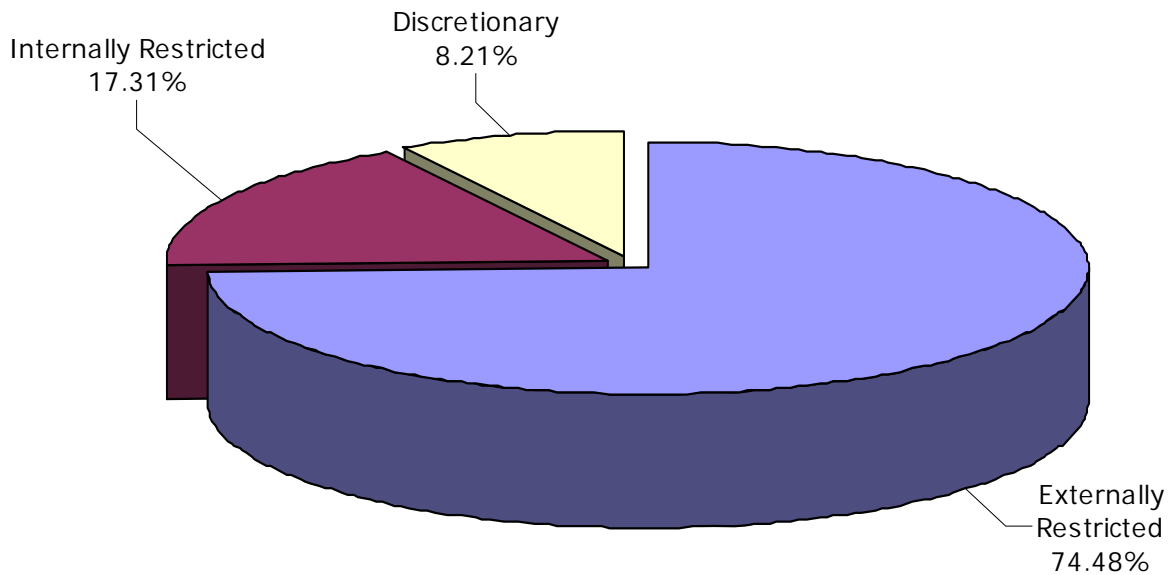
Operating Budget—Total Agency

Net Operating Income w/o HAP



FY 2009 Revenue Restrictions

Revenue Restriction (Showing externally placed restrictions)	FY 09 Adopted Budget			Total
	Externally Restricted	Internally Restricted	Discretionary	
Operating Income				
Property Related Income	\$15,741,540	\$32,784,230	\$1,876,940	\$50,402,710
Federal Grant	\$78,743,820			\$78,743,820
State Grant	\$103,080			\$103,080
Private Grant	\$0			\$0
County Grant	\$7,922,650			\$7,922,650
Management Fees	\$0	\$1,038,000	\$13,218,990	\$14,256,990
Miscellaneous Income	\$380,760			\$380,760
TOTAL OPERATING INCOME	\$102,891,850	\$33,822,230	\$15,095,930	\$151,810,010
Non-Operating Income				
Interest Income	\$35,728,360		\$436,880	\$36,165,240
FHA Risk Sharing	\$537,440			\$537,440
Transfer Between Funds	\$6,336,090		\$500,000	\$6,836,090
TOTAL NON-OPERATING INCOME	\$42,601,890		\$936,880	\$43,538,770
TOTAL - ALL REVENUE SOURCES	\$145,493,740	\$33,822,230	\$16,032,810	\$195,348,780

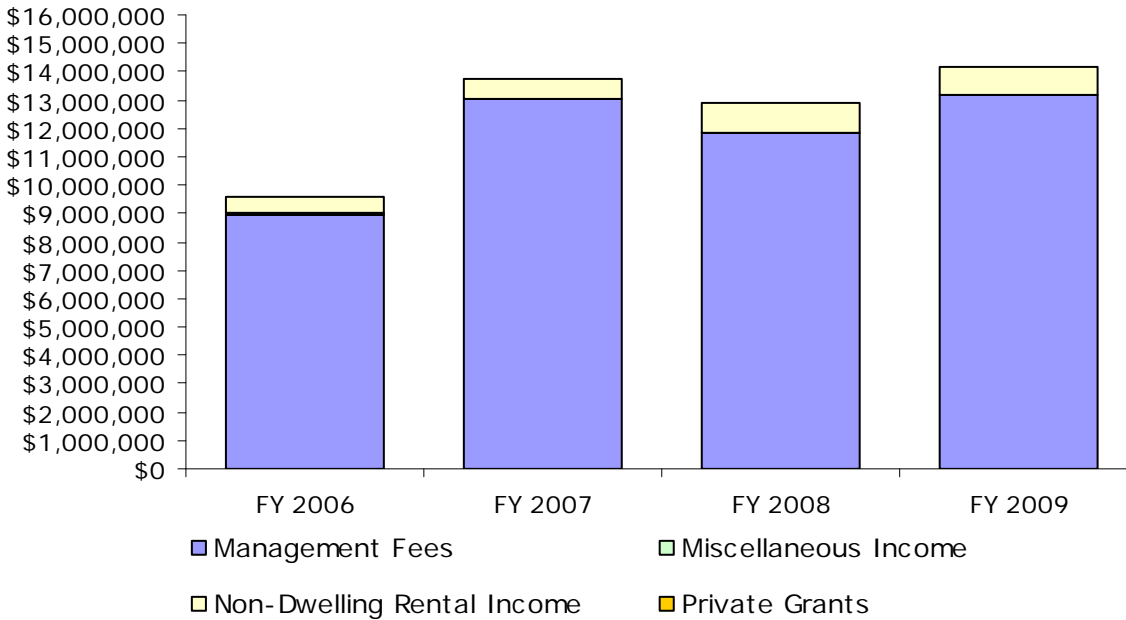


General Fund—Revenue and Expense Statement

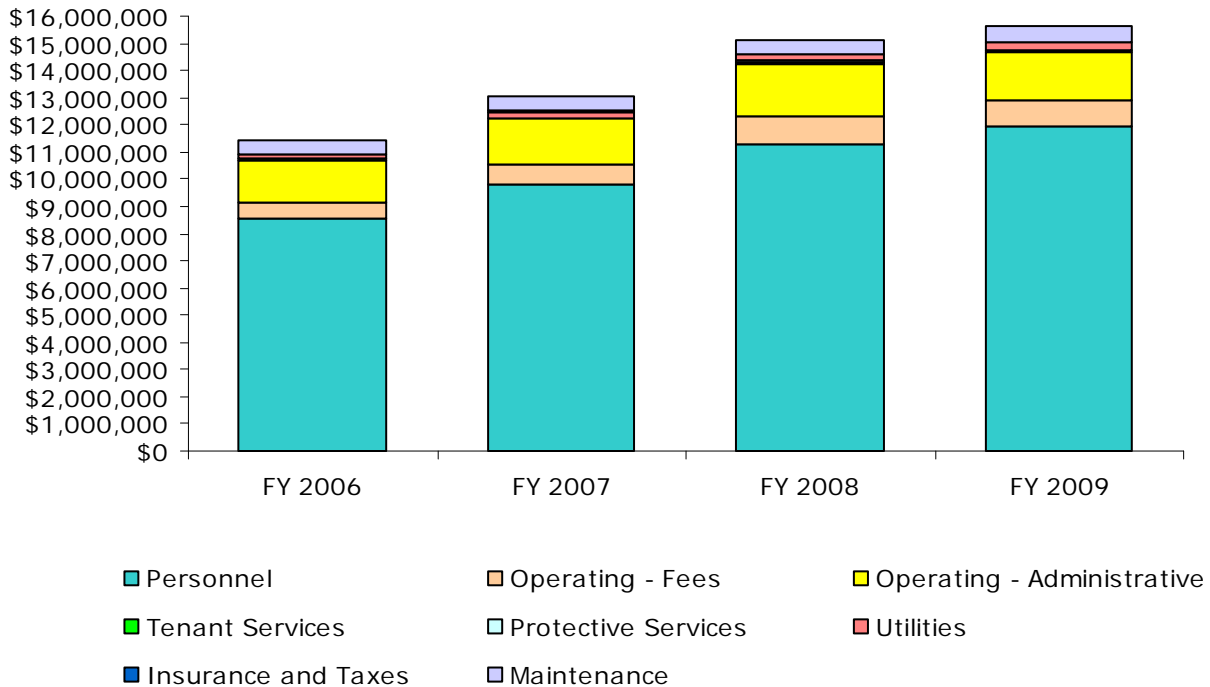
General Fund	FY 2006 Actual	FY 2007 Actual	FY 2008 Amended Budget	FY 2009 Adopted Budget
Operating Income				
Non-Dwelling Rental Income	\$612,162	\$682,355	\$1,087,540	\$1,031,790
Management Fees	\$8,979,433	\$13,048,826	\$11,843,290	\$13,155,270
Miscellaneous Income	\$17,068	\$20,025	\$2,000	\$0
TOTAL OPERATING INCOME	\$9,608,663	\$13,751,206	\$12,932,830	\$14,187,060
Operating Expenses				
Personnel Expenses	\$8,553,002	\$9,837,195	\$11,285,390	\$11,975,110
Operating Expenses - Fees	\$625,611	\$741,467	\$1,063,330	\$943,970
Operating Expenses - Administrative	\$1,486,194	\$1,624,871	\$1,889,170	\$1,717,170
Tenant Services Expenses	\$64,648	\$29,285	\$63,100	\$67,890
Protective Services Expenses	\$43,706	\$40,869	\$47,000	\$30,500
Utilities Expenses	\$165,212	\$213,129	\$219,080	\$325,410
Insurance and Tax Expenses	\$5,101	\$22,836	\$4,470	\$4,720
Maintenance Expenses	\$482,414	\$532,869	\$569,740	\$554,450
TOTAL OPERATING EXPENSES	\$11,425,888	\$13,042,521	\$15,141,280	\$15,619,220
NET OPERATING INCOME	(\$1,817,225)	\$708,685	(\$2,208,450)	(\$1,432,160)
Non-Operating Income				
Investment Interest Income	\$785,528	\$819,929	\$821,050	\$436,890
FHA Risk Sharing Insurance	\$570,740	\$603,161	\$525,130	\$537,440
Transfer Between Funds	\$1,206,088	\$1,808,968	\$1,941,530	\$1,422,470
TOTAL NON-OPERATING INCOME	\$2,562,356	\$3,232,058	\$3,287,710	\$2,396,800
Non-Operating Expenses				
Interest Payment	\$12,741	\$33,748	\$39,040	\$45,400
Principal Payment	\$206,851	\$171,277	\$219,020	\$294,690
Operating Reserves	\$226,600	\$1,707,922	\$414,990	\$640,840
FHA Risk Sharing Insurance	\$570,740	\$606,075	\$525,130	\$537,440
Transfer Out Between Funds	\$37,586	\$102,472	\$277,380	\$693,700
TOTAL NON-OPERATING EXPENSES	\$1,054,518	\$2,621,494	\$1,475,560	\$2,212,070
NET NON-OPERATING ADJUSTMENTS	\$1,507,838	\$610,564	\$1,812,150	\$184,730
NET CASH FLOW	(\$309,387)	\$1,319,249	(\$396,300)	(\$1,247,430)

Operating Income and Operating Expenses—General Fund

Operating Income



Operating Expenses



Public Fund (Grants)—Income Summary

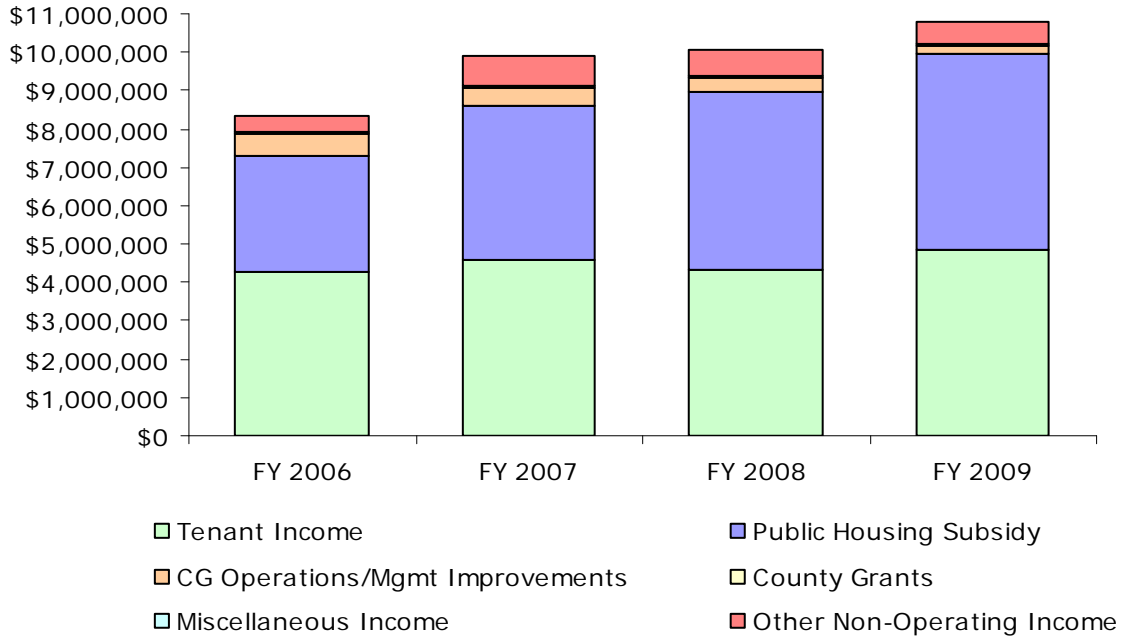
Public Fund Federal, State and County Grants Income Summary	FY 2006 Actual	FY 2007 Actual	FY 2008 Amended Budget	FY2009 Adopted Budget
Federal Funds				
Comp Grant	\$1,223,639	\$1,089,161	\$1,156,690	\$1,022,510
Shelter Plus Care	\$434,952	\$449,267	\$481,460	\$592,420
Shelter Plus Care - New Neighbors	\$49,974	\$121,355	\$137,410	\$143,030
McKinney Grants	\$2,904,726	\$3,135,132	\$3,334,020	\$3,372,260
ROSS Grant	\$131,092	\$1,742	\$114,080	\$229,720
TOTAL - FEDERAL FUNDS	\$4,744,383	\$4,796,657	\$5,223,660	\$5,359,940
Federal Funds - Other				
Federal Home - RAP and RAP to Work	\$71,263	\$84,273	\$101,000	\$102,000
MATER Program	\$9	\$0	\$0	\$0
Jesup Blair Program	\$73,927	\$128,676	\$119,420	\$99,540
TOTAL - FEDERAL FUNDS (Other)	\$145,199	\$212,949	\$220,420	\$201,540
State & County Funds				
County Main Grant	\$4,964,070	\$5,486,710	\$5,731,290	\$6,040,640
County Senior Nutrition	\$37,440	\$36,666	\$37,500	\$37,500
County Closing Cost Assistance Program	\$132,270	\$144,080	\$160,500	\$125,920
DHCA - Jesup Blair	\$63,415	\$63,482	\$86,000	\$95,000
RSIP	\$473,281	\$478,402	\$592,600	\$531,910
Preservation Property Program	\$133,581	\$132,428	\$205,840	\$287,490
Parent Resource Center	\$0	\$0	\$27,850	\$27,400
SHRAP - County Contract	\$0	\$1,700	\$61,160	\$63,000
Turnkey - Mental Health	\$0	\$0	\$118,350	\$118,110
Turnkey	\$25,000	\$25,000	\$25,000	\$25,000
State RAP and RAP to Work	\$90,696	\$104,890	\$196,070	\$103,080
State Service Linked Housing	\$38,919	\$38,919	\$40,870	\$40,870
Service Linked Emergency Assistance	\$35,000	\$35,000	\$35,000	\$35,000
State Housing Counselor	\$36,916	\$36,916	\$36,920	\$36,920
State Emergency Assistance	\$70,784	\$71,480	\$71,480	\$71,480
TOTAL - STATE & COUNTY FUNDS	\$6,101,372	\$6,655,673	\$7,426,430	\$7,639,320
TOTAL PUBLIC FUNDS	\$10,990,954	\$11,665,279	\$12,870,510	\$13,200,800

Public Housing Rental—Revenue and Expense Statement

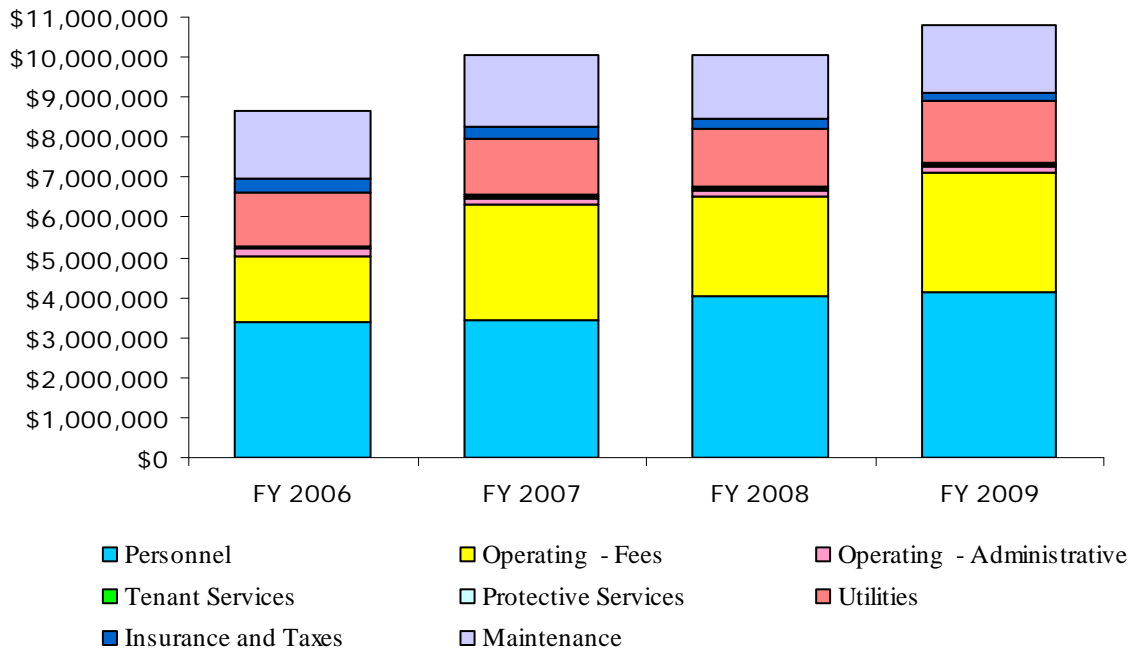
	FY 2006	FY 2007	FY 2008	FY 2009
Public Housing Rental	Actual	Actual	Amended Budget	Adopted Budget
Operating Income				
Tenant Income	\$4,287,982	\$4,603,507	\$4,344,310	\$4,844,550
Public Housing Operating Subsidy	\$2,993,344	\$3,993,598	\$4,640,540	\$5,114,730
County Grants	\$10,000	\$10,000	\$10,000	\$10,000
Miscellaneous Income	\$17,548	\$29,505	\$50,800	\$40,630
TOTAL OPERATING INCOME	\$7,308,874	\$8,636,610	\$9,045,650	\$10,009,910
Operating Expenses				
Personnel Expenses	\$3,360,672	\$3,431,060	\$4,010,890	\$4,129,480
Operating Expenses - Fees	\$1,687,463	\$2,869,716	\$2,515,730	\$2,975,900
Operating Expenses - Administrative	\$184,666	\$192,815	\$152,790	\$161,760
Tenant Services Expenses	\$8,892	\$9,532	\$38,150	\$38,000
Protective Services Expenses	\$52,073	\$46,911	\$63,310	\$61,810
Utilities Expenses	\$1,337,194	\$1,414,979	\$1,418,140	\$1,526,110
Insurance and Tax Expenses	\$342,034	\$292,415	\$272,990	\$225,900
Maintenance Expenses	\$1,696,153	\$1,805,910	\$1,579,020	\$1,662,310
TOTAL OPERATING EXPENSES	\$8,669,147	\$10,063,338	\$10,051,020	\$10,781,270
NET OPERATING INCOME	(\$1,360,273)	(\$1,426,728)	(\$1,005,370)	(\$771,360)
Non-Operating Income				
CG Operations/Mgmt Improvements	\$609,559	\$482,235	\$350,000	\$200,000
Investment Interest Income	(\$35,223)	(\$8,736)	(\$17,320)	(\$13,950)
Transfer Between Funds	\$442,270	\$779,994	\$672,690	\$585,310
TOTAL NON-OPERATING INCOME	\$1,016,606	\$1,253,493	\$1,005,370	\$771,360
NET NON-OPERATING ADJUSTMENTS	\$1,016,606	\$1,253,493	\$1,005,370	\$771,360
NET CASH FLOW	(\$343,667)	(\$173,235)	\$0	\$0

Total Income and Total Expenses—Public Housing Rental

Total Income



Total Expenses



Public Housing Homeownership—Revenue and Expense Statement

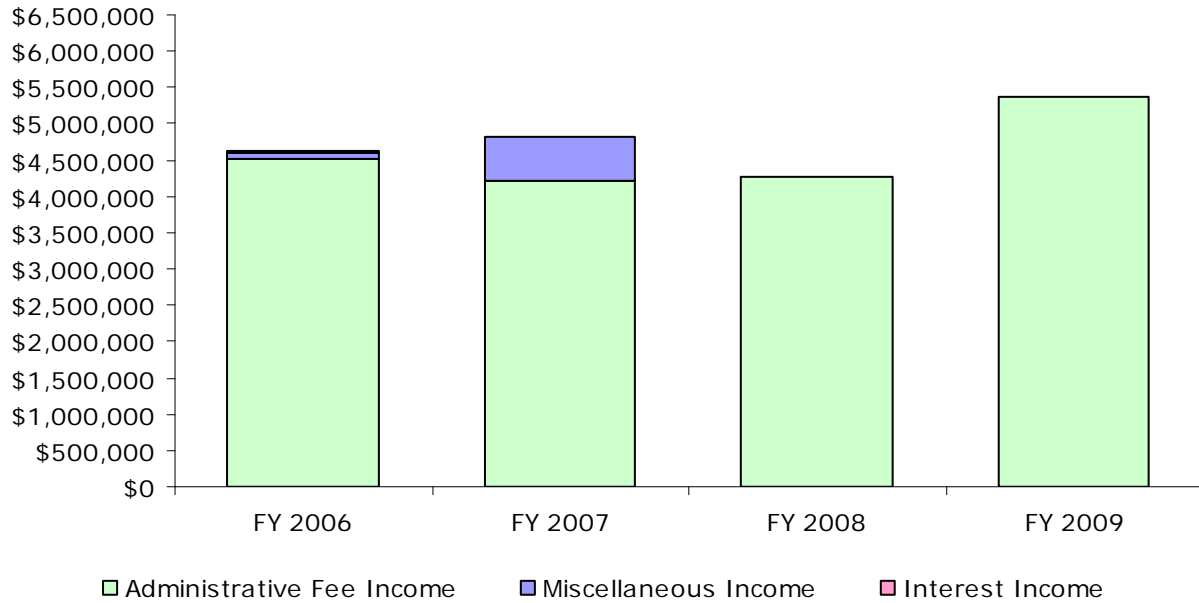
	FY 2006	FY 2007	FY 2008	FY 2009
Public Housing Homeownership	Actual	Actual	Amended Budget	Adopted Budget
Operating Income				
Tenant Income	(\$141)	\$6,235	\$5,810	\$6,250
Federal Grant	\$102,282	\$94,535	\$95,420	\$125,220
Miscellaneous Income	\$308	\$225	\$330	\$300
TOTAL OPERATING INCOME	\$102,449	\$100,995	\$101,560	\$131,770
Operating Expenses				
Personnel Expenses	\$34,516	\$41,618	\$54,850	\$75,520
Operating Expenses - Fees	\$10,670	\$12,529	\$12,170	\$14,900
Operating Expenses - Administrative	\$1,130	\$1,568	\$1,900	\$1,500
Utilities Expenses	\$12,335	\$18,266	\$18,100	\$18,100
Insurance and Tax Expenses	\$3,107	\$2,873	\$2,810	\$2,620
Maintenance Expenses	\$39,270	\$42,200	\$66,780	\$52,190
TOTAL OPERATING EXPENSES	\$101,028	\$119,054	\$156,610	\$164,830
NET OPERATING INCOME	\$1,421	(\$18,059)	(\$55,050)	(\$33,060)
Non-Operating Income				
Investment Interest Income	(\$19)	(\$3)	(\$100)	\$6,010
Transfer Between Funds - Rental License	\$494	\$494	\$420	\$420
TOTAL NON-OPERATING INCOME	\$475	\$491	\$320	\$6,430
NET NON-OPERATING ADJUSTMENTS	\$475	\$491	\$320	\$6,430
NET CASH FLOW	\$1,896	(\$17,568)	(\$54,730)	(\$26,630)

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

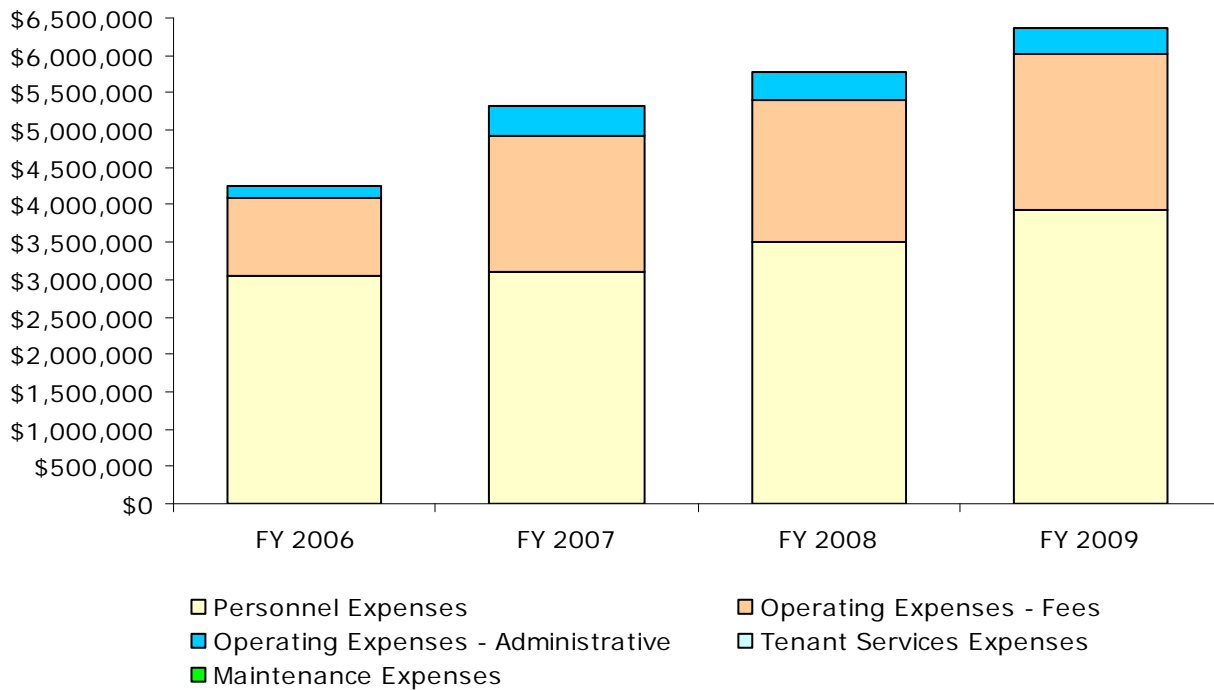
	FY 2006	FY 2007	FY 2008	FY 2009
Housing Choice Voucher Program	Actual	Actual	Amended Budget	Adopted Budget
Operating Income				
Federal Grant	\$62,416,757	\$64,649,362	\$63,506,630	\$63,557,340
Administrative Fee Income	\$4,521,273	\$4,213,495	\$4,264,430	\$5,365,050
Administrative Fee Income - Carryover	\$0	\$577,149	\$0	\$0
Miscellaneous Income	\$83,599	\$17,967	\$0	\$0
TOTAL OPERATING INCOME	\$67,021,629	\$69,457,973	\$67,771,060	\$68,922,390
Operating Expenses				
Personnel Expenses	\$3,046,670	\$3,101,500	\$3,495,380	\$3,942,310
Operating Expenses - Fees	\$1,054,955	\$1,828,959	\$1,901,550	\$2,080,860
Operating Expenses - Administrative	\$141,275	\$398,482	\$377,250	\$348,420
Maintenance Expenses	\$2,958	\$7,380	\$0	\$0
Housing Assistance Payments (HAP)	\$62,225,889	\$60,310,407	\$63,172,940	\$63,180,310
TOTAL OPERATING EXPENSES	\$66,471,747	\$65,646,728	\$68,947,120	\$69,551,900
NET OPERATING INCOME	\$549,882	\$3,811,245	(\$1,176,060)	(\$629,510)
Non-Operating Income				
Investment Interest Income	\$27,266	\$0	\$0	\$0
TOTAL NON-OPERATING INCOME	\$27,266	\$0	\$0	\$0
Non-Operating Expenses				
Operating and Replacement Reserves	\$0	\$3,885,478	\$0	\$0
TOTAL NON-OPERATING EXPENSES	\$0	\$3,885,478	\$0	\$0
NET NON-OPERATING ADJUSTMENTS	\$27,266	(\$3,885,478)	\$0	\$0
NET CASH FLOW	\$577,148	(\$74,233)	(\$1,176,060)	(\$629,510)

Total Income and Total Expenses—HCV Program

Total Income w/o HAP



Total Expense w/o HAP

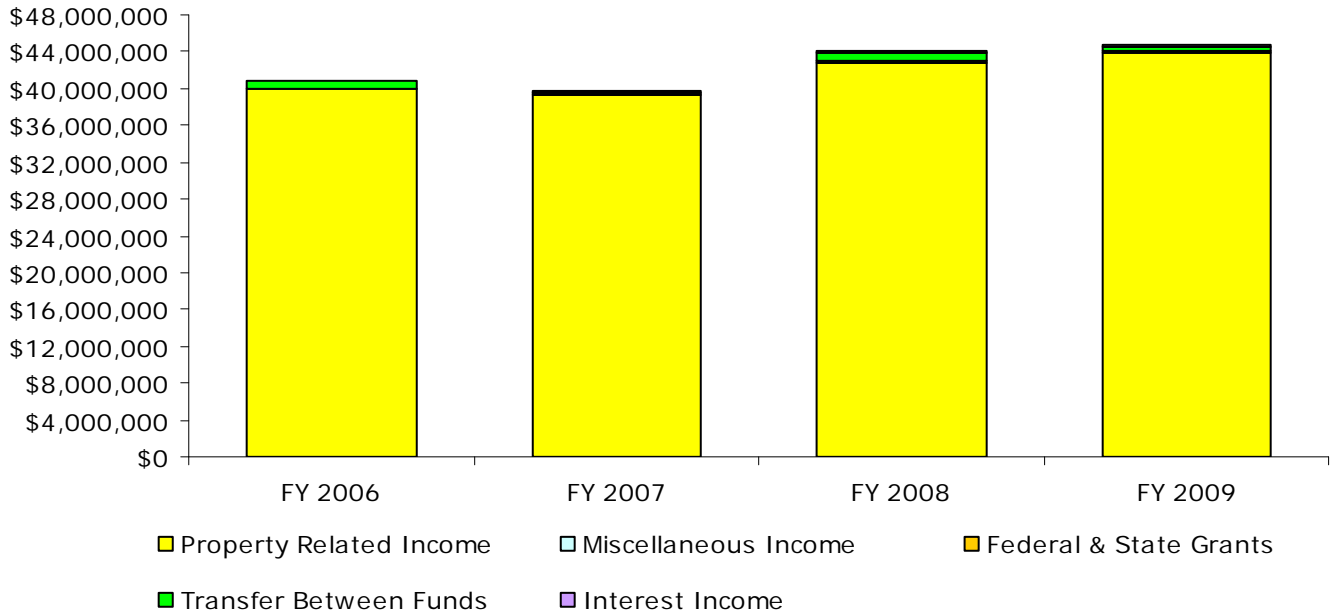


Opportunity Housing Fund and Development Corporations— Revenue and Expense Statement

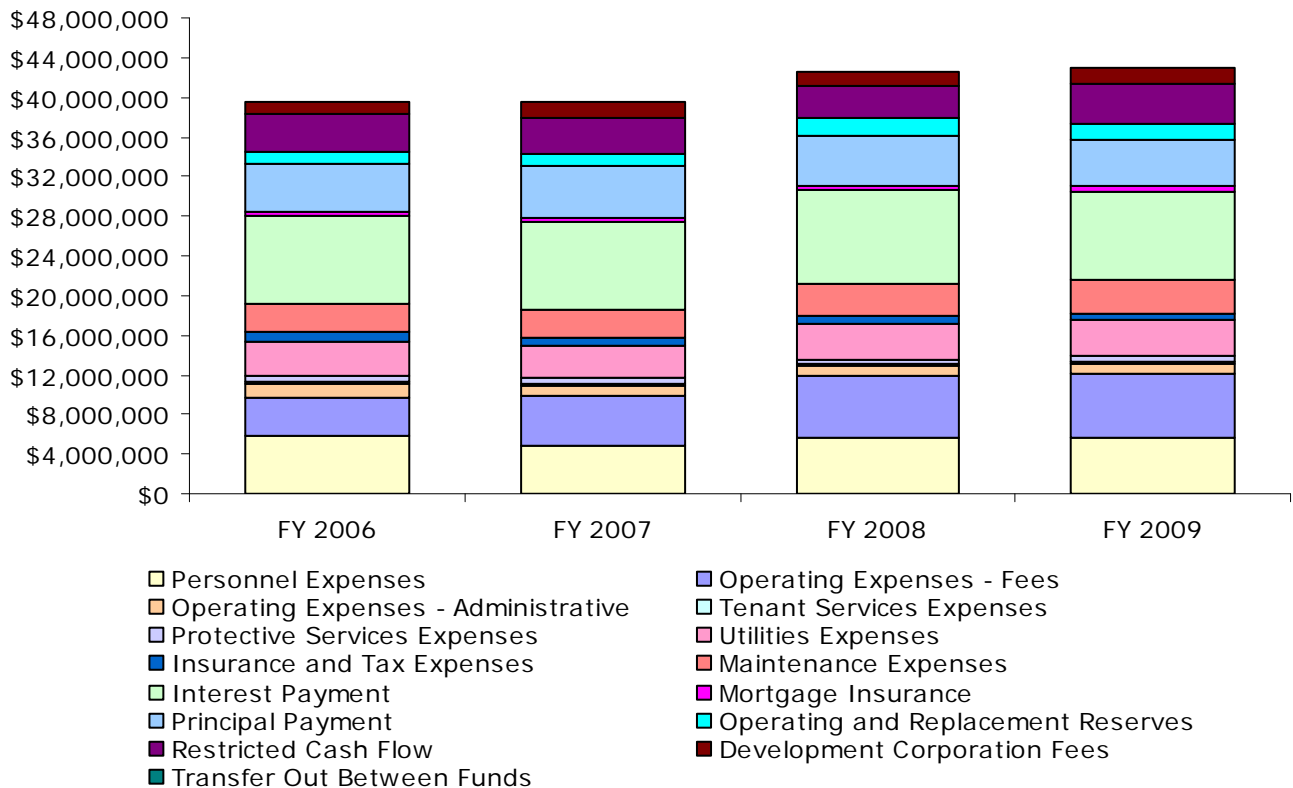
Opportunity Housing and Development Corporations	FY 2006 Actual	FY 2007 Actual	FY 2008 Amended Budget	FY 2009 Adopted Budget
Operating Income				
Tenant Income	\$39,326,188	\$38,709,470	\$42,276,580	\$43,385,930
Non-Dwelling Rental Income	\$531,339	\$494,347	\$547,180	\$465,860
Federal Grant	\$41,099	\$40,689	\$42,000	\$42,000
Miscellaneous Income	\$162,651	\$158,073	\$127,330	\$147,970
TOTAL OPERATING INCOME	\$40,061,277	\$39,402,579	\$42,993,090	\$44,041,760
Operating Expenses				
Personnel Expenses	\$5,802,549	\$4,888,709	\$5,711,500	\$5,696,910
Operating Expenses - Fees	\$3,904,702	\$4,928,297	\$6,104,920	\$6,387,530
Operating Expenses - Administrative	\$1,293,798	\$1,028,262	\$1,011,680	\$1,021,030
Tenant Services Expenses	\$216,137	\$191,456	\$186,370	\$201,620
Protective Services Expenses	\$672,947	\$562,698	\$579,900	\$591,540
Utilities Expenses	\$3,397,924	\$3,336,851	\$3,519,120	\$3,734,460
Insurance and Tax Expenses	\$1,076,171	\$850,937	\$924,160	\$577,880
Maintenance Expenses	\$2,791,344	\$2,865,639	\$3,187,440	\$3,444,140
TOTAL OPERATING EXPENSES	\$19,155,572	\$18,652,849	\$21,225,090	\$21,655,110
NET OPERATING INCOME	\$20,905,705	\$20,749,730	\$21,768,000	\$22,386,650
Non-Operating Income				
Investment Interest Income	\$168,744	\$207,961	\$268,060	\$152,600
Transfer Between Funds	\$681,334	\$152,350	\$936,890	\$567,640
TOTAL NON-OPERATING INCOME	\$850,078	\$360,311	\$1,204,950	\$720,240
Non-Operating Expenses				
Interest Payment	\$8,789,998	\$8,678,385	\$9,355,530	\$8,796,800
Mortgage Insurance	\$452,133	\$493,827	\$509,730	\$520,130
Principal Payment	\$4,784,192	\$5,214,380	\$5,016,970	\$4,700,710
Operating and Replacement Reserves	\$1,303,071	\$1,279,734	\$1,723,740	\$1,723,900
Restricted Cash Flow	\$3,880,693	\$3,559,516	\$3,332,430	\$4,033,900
Development Corporation Fees	\$1,177,557	\$1,639,626	\$1,444,540	\$1,454,510
Transfer Out Between Funds	\$0	\$7,031	\$17,660	\$0
TOTAL NON-OPERATING EXPENSES	\$20,387,644	\$20,872,499	\$21,400,600	\$21,229,950
NET NON-OPERATING ADJUSTMENTS	(\$19,537,566)	(\$20,512,188)	(\$20,195,650)	(\$20,509,710)
NET CASH FLOW	\$1,368,139	\$237,542	\$1,572,350	\$1,876,940

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 2009 Operating Budget	Total Operating Income	Total Operating Expenses	Net Operating Income	Annual Debt Services	Annual Escrow for RfR	Asset & Loan Management Fees	FY 2009 Projected Cash Flow	Restricted Cash Flow	Development Corporations Fees	FY 2009 Net Cash Flow to HOC
Alexander House	\$4,965,120	\$1,877,060	\$3,088,060	\$1,967,460	\$150,000	\$214,890	\$755,710	\$0	\$755,710	\$0
The Barclay	\$1,236,680	\$333,690	\$902,990	\$688,930	\$21,830	\$52,510	\$139,720	\$0	\$139,720	\$0
Brookside Glen (The Glen)	\$1,460,460	\$579,200	\$881,260	\$507,720	\$40,650	\$62,190	\$270,700	\$270,700	\$0	\$0
Chelsea Towers	\$276,780	\$156,980	\$119,800	\$76,860	\$8,400	\$0	\$34,540	\$0	\$0	\$34,540
Chevy Chase Lake	\$1,023,820	\$353,480	\$670,340	\$539,420	\$34,000	\$46,990	\$49,930	\$0	\$49,930	\$0
Dale Drive	\$104,350	\$89,930	\$14,420	\$0	\$7,330	\$0	\$7,090	\$7,090	\$0	\$0
Diamond Square	\$1,053,080	\$767,090	\$285,990	\$120,190	\$92,690	\$17,730	\$55,380	\$55,380	\$0	\$0
Fairfax Court	\$279,120	\$101,350	\$177,770	\$48,860	\$26,820	\$12,440	\$89,650	\$0	\$0	\$89,650
Greenhills	\$1,098,160	\$411,570	\$686,590	\$318,560	\$105,380	\$64,390	\$198,260	\$0	\$0	\$198,260
Holiday Park	\$268,020	\$123,620	\$144,400	\$101,560	\$10,950	\$0	\$31,890	\$0	\$0	\$31,890
Magruder's Discovery	\$1,640,140	\$679,370	\$960,770	\$0	\$36,600	\$0	\$924,170	\$400,000	\$0	\$524,170
McHome	\$365,670	\$250,570	\$115,100	\$42,720	\$16,400	\$0	\$55,980	\$0	\$0	\$55,980
McKendree	\$266,760	\$179,570	\$87,190	\$0	\$11,200	\$0	\$75,990	\$0	\$0	\$75,990
Metropolitan, The	\$6,212,120	\$1,669,080	\$4,543,040	\$2,331,340	\$97,200	\$58,900	\$2,055,600	\$2,055,600	\$0	\$0
Montgomery Arms	\$1,597,420	\$544,240	\$1,053,180	\$851,320	\$46,200	\$89,130	\$66,530	\$0	\$66,530	\$0
MHLP I	\$371,000	\$198,190	\$172,810	\$59,530	\$12,790	\$0	\$100,490	\$0	\$0	\$100,490
MHLP III	\$424,570	\$296,530	\$128,040	\$53,030	\$89,400	\$0	(\$14,390)	\$0	\$0	(\$14,390)
MHLP IV	\$673,890	\$373,450	\$300,440	\$90,970	\$103,500	\$0	\$105,970	\$0	\$0	\$105,970
MHLP V	\$308,150	\$208,890	\$99,260	\$92,290	\$26,300	\$0	(\$19,330)	\$0	\$0	(\$19,330)
MPDU 2004	\$435,250	\$180,920	\$254,330	\$0	\$38,000	\$0	\$216,330	\$0	\$0	\$216,330
MPDU 2007	\$149,130	\$85,380	\$63,750	\$0	\$0	\$0	\$63,750	\$63,750	\$0	\$0
MPDU I (64)	\$768,420	\$457,100	\$311,320	\$233,220	\$27,540	\$0	\$50,560	\$0	\$0	\$50,560
TPM - MPDU II (59)	\$737,080	\$400,250	\$336,830	\$234,720	\$17,700	\$0	\$84,410	\$0	\$84,410	\$0
The Oaks @ Four Corners	\$1,197,560	\$767,260	\$430,300	\$288,960	\$48,000	\$82,920	\$10,420	\$10,420	\$0	\$0
Paddington Square	\$2,125,890	\$1,211,100	\$914,790	\$1,202,510	\$58,100	\$0	(\$345,820)	\$0	\$0	(\$345,820)
Paint Branch	\$149,250	\$93,890	\$55,360	\$44,800	\$8,400	\$0	\$2,160	\$0	\$0	\$2,160
TPM - Pomander Court	\$348,740	\$183,200	\$165,540	\$47,350	\$7,200	\$0	\$110,990	\$0	\$110,990	\$0
Pooks Hill Mid-Rise	\$754,630	\$207,230	\$547,400	\$364,980	\$55,860	\$34,550	\$92,010	\$0	\$0	\$92,010
Pooks Hill High-Rise	\$2,043,600	\$1,112,800	\$930,800	\$0	\$88,860	\$168,090	\$673,850	\$336,930	\$0	\$336,920
Sligo Hills/ MPDU III	\$798,870	\$551,480	\$247,390	\$235,590	\$23,790	\$0	(\$11,990)	\$0	\$0	(\$11,990)
State Rental Combined	\$1,515,990	\$1,294,850	\$221,140	\$0	\$87,100	\$0	\$134,040	\$134,040	\$0	\$0
Strathmore Court	\$2,961,420	\$1,000,850	\$1,960,570	\$1,222,150	\$53,770	\$104,330	\$580,320	\$226,770	\$0	\$353,550
Tanglewood	\$849,050	\$585,140	\$263,910	\$7,500	\$33,190	\$0	\$223,220	\$223,220	\$0	\$0
TPM-Timbertawn	\$1,681,550	\$607,800	\$1,073,750	\$475,850	\$26,750	\$73,930	\$497,220	\$250,000	\$247,220	\$0
Westwood Tower	\$3,816,590	\$1,801,580	\$2,015,010	\$1,769,250	\$212,000	\$146,480	(\$112,720)	\$0	\$0	(\$112,720)
TOTAL	\$43,958,330	\$19,734,690	\$24,223,640	\$14,017,640	\$1,723,900	\$1,229,470	\$7,252,630	\$4,033,900	\$1,454,510	\$1,764,220
From reserves planned to fund specific property operating deficits										
Westwood Towers							\$112,720			\$112,720
Net Cash Flow - All Properties							\$7,365,350			\$1,876,940
Master Lease Properties										
FY 2009 Operating Budget										
Avalon Bay	\$556,200	\$556,200	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Palisades	\$134,750	\$134,750	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL	\$690,950	\$690,950	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Bond Program—Revenue and Expense Statement

	FY 2006	FY 2007	FY 2008	FY 2009
Bond Fund	Actual	Actual	Amended Budget	Adopted Budget
Operating Expenses				
Trustee Fees	\$525,000	\$574,388	\$1,105,280	\$1,184,980
Lender Services Fees	\$848,121	\$1,198,339	\$74,260	\$78,510
TOTAL OPERATING EXPENSES	\$1,373,121	\$1,772,727	\$1,179,540	\$1,263,490
NET OPERATING INCOME	(\$1,373,121)	(\$1,772,727)	(\$1,179,540)	(\$1,263,490)
Non-Operating Income				
Investment Interest Income	\$35,916,344	\$39,115,095	\$34,193,250	\$35,583,690
Miscellaneous Income	\$240,571	\$251,659	\$440,800	\$255,500
TOTAL NON-OPERATING INCOME	\$36,156,915	\$39,366,754	\$34,634,050	\$35,839,190
Non-Operating Expenses				
Interest Payment	\$29,883,883	\$29,692,409	\$28,371,790	\$29,287,100
Operating and Replacement Reserves	\$3,684,740	\$6,431,361	\$3,886,420	\$4,058,670
Miscellaneous Bond Financing Expenses	\$1,215,171	\$1,470,257	\$1,196,300	\$1,229,930
TOTAL NON-OPERATING EXPENSES	\$34,783,794	\$37,594,027	\$33,454,510	\$34,575,700
NET NON-OPERATING ADJUSTMENTS	\$1,373,121	\$1,772,727	\$1,179,540	\$1,263,490
NET CASH FLOW	\$0	\$0	\$0	\$0

Division Summaries

Adopted Budget
June 4, 2008

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 2009		
	Adopted Budget		
	Revenues	Expenses	Net
Divisions			
Executive Division	\$1,592,510	\$9,291,070	(\$7,698,560)
Finance Division	\$974,330	\$3,712,070	(\$2,737,740)
Housing Management Division	\$64,814,350	\$60,030,660	\$4,783,690
Housing Resource Services Division	\$67,788,970	\$69,179,160	(\$1,390,190)
Mortgage Finance Division	\$4,561,570	\$3,021,970	\$1,539,600
Real Estate Development Division	\$2,235,730	\$1,796,610	\$439,120
Resident Services Division	\$10,507,310	\$10,531,150	(\$23,840)
SUB-TOTAL	\$152,474,770	\$157,562,690	(\$5,087,920)
Other Non-Divisions			
Agency Wide Revenue and Expenses	\$7,034,810	\$1,946,890	\$5,087,920
Bond Funds	\$35,839,200	\$35,839,200	\$0
TOTAL - ALL FUNDS	\$195,348,780	\$195,348,780	\$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:

- Housing Resource Services (HRS);
- Information Technologies;

- Finance —
 - Accounting,
 - Budget,
 - Procurement;
- Public Housing;
- Housing Choice Voucher Program Administration;
- Multi-Family Bond Issuance;
- Mortgage Purchase Program;
- Family Self Sufficiency (FSS);
- Family Resource Centers; and
- Parent Resource Centers.
- Individual performance measurement results are contained within respective division summaries (pages 2-3 through 2-42).

Executive Division

Adopted Budget
June 4, 2008

Mission Statement

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

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

Special points of interest:

FY 2009
Program
Objectives
Support Agency
Strategic Plan.

Description

The Executive offices are responsible for the Agency direction and coordination, commissioner support, equal employment, human resource administration, labor relations, Agency-wide training,

performance-based management, Agency records, office facility management, internal audits, public affairs, housing resource services, and information technology (IT) systems.

Program Objectives

HOC will redirect client services from Kensington Headquarters to Customer Service Centers that will be located in the upper county Gaithersburg area and the Silver Spring area. Access to public transportation will be a major consideration as well as parking and handicapped accessibility.

Maintain a Quality Workforce

- Provide supervisory training on the Collective Bargaining Agreement.
- Administer provisions of the new Collective Bargaining Agreement.
- Administer and monitor pre-employment drug testing program for new employees and alcohol and drug testing program for new and existing staff.
- Coordinate the work program of

the Labor Management Relations Committee to address and resolve substantive labor issues.

- Provide continuing education and technical assistance for HOC employees and supervisors on policies and practices governing the Commission and its work activities.
- Implement an 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.
- Negotiate a new Union Labor Agreement with MCGEO.

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

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

Facilities Management

- Provide for the safety and security of HOC staff and clients.
- Provide support to agency management to identify facilities requirements and to implement Customer Service Center initiative.
- Complete upgrades to Detrick Avenue building to provide office space for staff moving from the WRIT building and to facilitate transition to the Customer Service Center organizational structure.
- Provide and administer records management services using HOC's records management vendor. Continue to support HOC divisions as they upgrade their records data and records retention procedures.

Internal Audit

- Review and analyze financial systems, procedures, records, forms, reports and controls for compliance with law and professional standards.
- Prepare reports on audits including the identification of problems and methods of resolution.
- Confer with departmental representatives on audit procedures and findings.
- Assist in the design and implementation of improvements in the Agency's programs.
- Investigate reported problems and

deficiencies in the Agency's internal controls and programs.

- Evaluate the adequacy of internal controls and compliance with local, state, and federal regulations by conducting interview and examining transactions, documents, records, reports, and procedures.
- Conduct special studies which may involve any aspects of the Agency's programs for managing its operations.

Federal Programs

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

Information Technology

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

Legislative and Public Affairs, Including Housing Resource Service

Government Relations Activities

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

planning process, council, state and federal public hearings and civic and neighborhood meetings.

- Expand HOC's advocacy efforts through broader Commission, staff and resident participation.

Public Affairs Activities

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

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

Housing Resource Service

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

Performance Measurement Results

Housing Resource Services (HRS)

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

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

After the Customer Service Centers open during 2008, members of the public will also be able to receive information about HOC's programs and other affordable housing options at the centers.

Housing Resource Services					
Measurement	FY05	FY06	FY07	FY08	FY 2009 Projection
Telephone calls from the public per day	227	216	285	281	290
Information packets mailed per day	3	3	3	4	4
Lobby visitors each day	155	115	115	118	130
Website hits per day	167	259	300	319	330
E-mails received and answered per day	3	10	10	14	15

Information Technologies (IT)

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

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

Information Technologies					
Measurement	FY05	FY06	FY07	FY08	FY09
Number of Closed Help Desk Tickets	4,468	5,127	5,065	4,592	4,750 est.

Budget Overview—Executive Division

The total Adopted FY 2009 Budget for the Executive Division is \$9.29 million, an increase of 19.7% from the FY 2008 Amended Budget of \$7.76 million. Personnel costs comprise 56.4% of the budget. Operating expenses account for 20.8% of the budget.

Maintenance and other miscellaneous expenses account for 7.6% of the budget. The remaining 15.2% accounts for debt service expenses for the Information Technology and Facilities Capital Budget.

Revenue and Expense Statement

Executive Division	FY 2006 Actual	FY 2007 Actual	FY 2008 Amended Budget	FY 2009 Adopted Budget
Operating Income				
Federal Grant	\$0	\$0	\$0	\$920,640
County Grant	\$500,865	\$542,667	\$500,870	\$257,810
Miscellaneous Income	\$32,509	\$5,466	\$0	\$0
TOTAL OPERATING INCOME	\$533,374	\$548,133	\$500,870	\$1,178,450
Operating Expenses				
Personnel Expenses	\$3,405,447	\$3,874,132	\$4,144,970	\$5,240,310
Operating Expenses - Fees	\$527,551	\$546,652	\$907,110	\$669,840
Operating Expenses - Administrative	\$1,061,229	\$1,179,705	\$1,422,020	\$1,262,380
Tenant Services Expenses	\$31,940	\$8,049	\$24,550	\$21,960
Protective Services Expenses	\$43,210	\$40,787	\$45,000	\$27,000
Utilities Expenses	\$117,607	\$141,359	\$145,900	\$188,540
Insurance and Tax Expenses	\$2,821	\$2,540	\$2,350	\$2,540
Maintenance Expenses	\$423,211	\$373,111	\$485,200	\$466,400
TOTAL OPERATING EXPENSES	\$5,613,016	\$6,166,335	\$7,177,100	\$7,878,970
NET OPERATING INCOME	(\$5,079,642)	(\$5,618,202)	(\$6,676,230)	(\$6,700,520)
Non-Operating Income				
Investment Interest Income	\$0	\$14,156	\$0	\$0
Transfer Between Funds	\$71,608	\$103,385	\$699,150	\$414,060
TOTAL NON-OPERATING INCOME	\$71,608	\$117,541	\$699,150	\$414,060
Non-Operating Expenses				
Interest Payment	\$12,741	\$33,748	\$39,040	\$45,390
Principal Payment	\$206,851	\$171,277	\$219,020	\$294,690
Operating and Replacement Reserves	\$0	\$0	\$154,900	\$460,000
Transfer Out Between Funds	\$2,100	\$61,473	\$174,150	\$612,020
TOTAL NON-OPERATING EXPENSES	\$221,692	\$266,498	\$587,110	\$1,412,100
NET NON-OPERATING ADJUSTMENTS	(\$150,084)	(\$148,957)	\$112,040	(\$998,040)
NET CASH FLOW	(\$5,229,726)	(\$5,767,159)	(\$6,564,190)	(\$7,698,560)

Finance Division

Adopted Budget
June 4, 2008

Mission Statement

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

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

Special points of interest:

The Finance Division safeguards the assets of the Commission.

Description

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

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

Program Objectives

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

Performance Measurement Results

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

In addition to the listed measurements, the Finance Division successfully negotiated

Payment in Lieu of Taxes (PILOT) agreements for all HOC owned properties resulting in a substantial reduction to the Agency's tax obligation. The Division was also successful in re-negotiating property assessments on the Non-HOC owned portfolio thereby reducing its tax obligation as well.

Accounting					
Measurement	FY05	FY06	FY07	FY08	FY09
Received Standard Unqualified Audit Opinion:					
Agency Audit	Yes	Yes	Yes	Yes	NA
HOC Owned Property Audits	Yes	Yes	Yes	Yes	NA
Non-HOC Owned Property Audits	Yes	Yes	Yes	Yes	NA
A-133 Audit	Yes	Yes	Yes	Yes	NA

Budget					
Measurement	FY05	FY06	FY07	FY08	FY09
Number of consecutive years receiving GFOA Best Budget Award	2	2	3	4	NA

Procurement					
Measurement	FY05	FY06	FY07	FY08	FY09
Number of Contracts Awarded	232	250	249	253	275 (est.)
Percent of Dollars issued to Minority/ Female/Disabled-Outreach (MFD) firms	24%	22%	27%	25%	25% (est.)
Number of Purchase Orders (POs) issued	12,000 (est.)	13,000 (est.)	14,313	13,680	15,000 (est.)

Budget Overview—Finance Division

The total Adopted FY 2009 Budget for the Finance Division is \$3.71 million, a decrease of 5.1% from the FY 2008 Amended Budget of \$3.91 million. Personnel costs comprise 92.0% of total operating expenses. Fees and Administrative expenses account for the

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

Revenue and Expense Statement

Finance Division	FY 2006 Actual	FY 2007 Actual	FY 2008 Amended Budget	FY 2009 Adopted Budget
Operating Income				
Management Fees	\$1,421	\$0	\$0	\$0
Miscellaneous Income	\$3,024	\$2,283	\$2,000	\$0
TOTAL OPERATING INCOME	\$4,445	\$2,283	\$2,000	\$0
Operating Expenses				
Personnel Expenses	\$2,591,470	\$2,726,191	\$3,153,070	\$2,919,620
Operating Expenses - Fees	\$57,742	\$120,821	\$80,250	\$78,100
Operating Expenses - Administrative	\$133,304	\$138,882	\$150,580	\$176,910
Tenant Services Expenses	(\$6)	\$237	\$0	\$0
Maintenance Expenses	\$0	\$0	\$1,050	\$0
TOTAL OPERATING EXPENSES	\$2,782,510	\$2,986,131	\$3,384,950	\$3,174,630
NET OPERATING INCOME	(\$2,778,065)	(\$2,983,848)	(\$3,382,950)	(\$3,174,630)
Non-Operating Income				
Investment Interest Income	\$693,367	\$797,934	\$821,050	\$436,890
FHA Risk Sharing Insurance	\$570,740	\$603,161	\$525,130	\$537,440
TOTAL NON-OPERATING INCOME	\$1,264,107	\$1,401,095	\$1,346,180	\$974,330
Non-Operating Expenses				
FHA Risk Sharing Insurance	\$570,740	\$606,075	\$525,130	\$537,440
TOTAL NON-OPERATING EXPENSES	\$570,740	\$606,075	\$525,130	\$537,440
NET NON-OPERATING ADJUSTMENTS	\$693,367	\$795,020	\$821,050	\$436,890
NET CASH FLOW	(\$2,084,698)	(\$2,188,828)	(\$2,561,900)	(\$2,737,740)

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Housing Management Division

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

Mission Statement

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

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

Special points of interest:

The Housing Management Division oversees a portfolio of more than 7,000 rental units.

Description

The Housing Management Division oversees a portfolio of 7,015 units consisting of 56 multi-family properties and over 1,650 scattered site units. The Division is comprised of the Property Management Department which is responsible for managing 3,498 rental units and the Asset Management Department which is responsible for monitoring third-party management companies which manage 3,517 units.

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

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

The Division:

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

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

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

- Public Housing – ten multi-family properties and scattered sites - 1,555 units.
- HUD Project Based Section 8 New Construction – five properties – 488 units.
- HUD Section 236 – seven properties – 922 units (four 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 - 24 different partnerships – 1,690 units.

- Scattered-site rental units located in over 275 communities – 1,675 units.
- Mixed Income Properties – 16 properties - 2,393 units.
- Senior Properties for Independent Living - nine properties - 1,285 units.
- Properties with Public Purpose at or below 60% AMI - 5,502 units or 78% of our total portfolio.
- Single Room Occupancy (SRO) – two properties – 286 units.
- Market Rate Units – 16 properties – 1,434 units.

Properties in the portfolio that are not part of HOC's FY 2009 Operating Budget but are on a calendar year include:

- 922 Section 236 Units.
- 1,619 Tax Credit Units.
- 56 Tax Credit Units owned by Rockville Housing, but managed by HOC.

The Division's Modernization and Construction Management Office was involved during the year in designing, planning and administering over 45 construction/renovation projects with total budgets exceeding \$7.5 million.

Program Objectives

Utilization

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

Contribute to a Positive Housing Environment

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

level under the Public Housing Assessment System (PHAS).

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

Performance Measurement Results

Public Housing Management

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

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

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

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

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

HOC was once again able to achieve a ranking

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

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

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

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

PHAS Score

PHAS Score								
PHAS Component	Actual Score FY 2005	Max Score FY 2005	Actual Score FY 2006	Max Score FY 2006	Actual Score FY 2007	Max Score FY 2007	Preliminary Score FY 2008	Max Score FY 2008
Physical	22.0	30.0	28.0	30.0	28.0	30.0	NA	30.0
Financial	29.0	30.0	28.0	30.0	30.0	30.0	NA	NA
Management	29.0	30.0	29.0	30.0	27.0	30.0	NA	NA
Resident	9.0	10.0	9.0	10.0	9.0	10.0	NA	NA
Overall	89.0	100.0	94.0	100.0	94.0	100.0	NA	30.0

Budget Overview—Housing Management—Administrative

The Adopted FY 2009 budgeted revenues for Housing Management Division Administration are \$8.1 million. Total expenses in the FY 2009 Operating Budget are \$4.00 million. Personnel costs comprise

75.7% of the budget. Other operating costs constitute 24.3% of the operating budget. **Please note that the FY 2009 Adopted Budget reflects changes as a result of the Agency re-organization.**

Revenue and Expense Statement

Housing Management Division Administration	FY 2006 Actual	FY 2007 Actual	FY 2008 Amended Budget	FY 2009 Adopted Budget
Operating Income				
Non-Dwelling Rental Income	\$1,530	\$0	\$0	\$0
Federal Grant	\$0	\$0	\$0	\$1,110,570
County Grant	\$652,264	\$1,003,063	\$1,037,920	\$1,037,920
Management Fees	\$2,850,904	\$5,492,991	\$5,210,960	\$5,935,260
Miscellaneous Income	\$5,287	\$700	\$0	\$0
TOTAL OPERATING INCOME	\$3,509,985	\$6,496,754	\$6,248,880	\$8,083,750
Operating Expenses				
Personnel Expenses	\$1,800,435	\$2,081,892	\$2,316,710	\$2,996,470
Operating Expenses - Fees	\$4,569	\$2,421	\$5,000	\$443,860
Operating Expenses - Administrative	\$236,852	\$324,674	\$270,640	\$364,950
Tenant Services Expenses	\$495	\$0	\$0	\$0
Protective Services Expenses	\$497	\$82	\$2,000	\$3,500
Utilities Expenses	\$59,811	\$71,770	\$73,180	\$75,100
Insurance and Tax Expenses	\$2,280	(\$4,635)	\$2,120	\$2,180
Maintenance Expenses	\$80,352	\$159,758	\$83,500	\$72,170
TOTAL OPERATING EXPENSES	\$2,185,291	\$2,635,962	\$2,753,150	\$3,958,230
NET OPERATING INCOME	\$1,324,694	\$3,860,792	\$3,495,730	\$4,125,520
Non-Operating Income				
Investment Interest Income	\$88,557	\$6,062	\$0	\$0
Transfer Between Funds	\$42,420	\$41,153	\$151,890	\$21,010
TOTAL NON-OPERATING INCOME	\$130,977	\$47,215	\$151,890	\$21,010
Non-Operating Expenses				
Operating and Replacement Reserves	\$126,651	\$161,685	\$193,310	\$180,850
Transfer Out Between Funds	\$659,736	\$1,012,838	\$1,037,920	\$1,037,920
TOTAL NON-OPERATING EXPENSES	\$786,387	\$1,174,523	\$1,231,230	\$1,218,770
NET NON-OPERATING ADJUSTMENTS	(\$655,410)	(\$1,127,308)	(\$1,079,340)	(\$1,197,760)
NET CASH FLOW	\$669,284	\$2,733,484	\$2,416,390	\$2,927,760

Budget Overview—Housing Management—Elderly Properties

The Adopted FY 2009 budgeted revenues for elderly properties are \$5.08 million. The total expenses in the FY 2009 Operating Budget are \$4.50 million. Non-operational expenses are \$0.35 million. Net Cash Surplus will be \$233,760.

Revenue and Expense Statement

Housing Management Division Elderly Properties	FY 2006 Actual	FY 2007 Actual	FY 2008 Amended Budget	FY 2009 Adopted Budget
Operating Income				
Tenant Income	\$4,489,445	\$2,628,892	\$2,662,410	\$2,801,560
Non-Dwelling Rental Income	\$300	\$0	\$1,200	\$0
Federal Grant	\$1,070,575	\$1,767,279	\$2,061,390	\$1,813,700
County Grant	\$10,000	\$10,000	\$10,000	\$10,000
Management Fees	\$9,518	\$6,258	\$7,200	\$7,880
Miscellaneous Income	\$7,925	\$42,968	\$29,600	\$28,800
TOTAL OPERATING INCOME	\$5,587,763	\$4,455,397	\$4,771,800	\$4,661,940
Operating Expenses				
Personnel Expenses	\$2,354,353	\$1,236,643	\$1,538,750	\$1,489,750
Operating Expenses - Fees	\$493,218	\$751,282	\$764,670	\$891,560
Operating Expenses - Administrative	\$313,245	\$129,652	\$92,640	\$100,960
Tenant Services Expenses	\$86,953	\$43,038	\$55,350	\$31,960
Protective Services Expenses	\$14,343	\$11,215	\$20,000	\$13,900
Utilities Expenses	\$1,200,451	\$1,165,551	\$1,120,080	\$1,251,450
Insurance and Tax Expenses	\$214,403	\$90,223	\$94,620	\$56,870
Maintenance Expenses	\$654,073	\$589,897	\$579,880	\$661,650
TOTAL OPERATING EXPENSES	\$5,331,039	\$4,017,501	\$4,265,990	\$4,498,100
NET OPERATING INCOME	\$256,724	\$437,896	\$505,810	\$163,840
Non-Operating Income				
Investment Interest Income	(\$1,716)	(\$731)	(\$1,030)	(\$3,310)
Transfer Between Funds	\$354,715	\$627,831	\$429,440	\$420,620
TOTAL NON-OPERATING INCOME	\$352,999	\$627,100	\$428,410	\$417,310
Non-Operating Expenses				
Interest Payment	\$400,124	\$195,304	\$190,170	\$184,700
Mortgage Insurance	\$15,854	\$13,819	\$14,950	\$14,510
Principal Payment	\$74,329	\$79,149	\$84,280	\$89,750
Operating and Replacement Reserves	\$83,400	\$44,000	\$48,000	\$48,000
Restricted Cash Flow	\$176,185	\$53,910	\$13,990	\$10,430
TOTAL NON-OPERATING EXPENSES	\$749,892	\$386,182	\$351,390	\$347,390
NET NON-OPERATING ADJUSTMENTS	(\$396,893)	\$240,918	\$77,020	\$69,920
NET CASH FLOW	(\$140,169)	\$678,814	\$582,830	\$233,760

Budget Overview—Housing Management— Family Properties

The Adopted FY 2009 budgeted revenues for family properties are \$38.27 million. The total expenses in the FY 2009 Operating Budget

are \$18.13 million. Non-operational expenses are \$19.19 million. Net Cash Surplus will be \$947,440.

Revenue and Expense Statement

Housing Management Division Family Properties	FY 2006 Actual	FY 2007 Actual	FY 2008 Amended Budget	FY 2009 Adopted Budget
Operating Income				
Tenant Income	\$32,287,511	\$33,444,051	\$34,643,370	\$35,727,800
Non-Dwelling Rental Income	\$531,039	\$494,347	\$545,980	\$465,860
Federal Grant	\$694,163	\$1,015,766	\$1,164,810	\$1,217,280
Management Fees	\$54,863	\$40,099	\$47,330	\$55,760
Miscellaneous Income	\$93,844	\$94,185	\$78,110	\$91,890
TOTAL OPERATING INCOME	\$33,661,420	\$35,088,448	\$36,479,600	\$37,558,590
Operating Expenses				
Personnel Expenses	\$4,277,831	\$4,478,540	\$5,093,040	\$5,120,760
Operating Expenses - Fees	\$2,026,873	\$3,018,985	\$3,348,720	\$3,613,560
Operating Expenses - Administrative	\$1,058,589	\$963,144	\$974,680	\$1,009,940
Tenant Services Expenses	\$129,441	\$149,036	\$132,170	\$170,660
Protective Services Expenses	\$710,677	\$598,394	\$623,210	\$639,450
Utilities Expenses	\$3,462,788	\$3,498,176	\$3,712,930	\$3,908,990
Insurance and Tax Expenses	\$826,883	\$718,953	\$643,610	\$355,370
Maintenance Expenses	\$2,739,051	\$2,822,178	\$3,127,150	\$3,314,390
TOTAL OPERATING EXPENSES	\$15,232,133	\$16,247,406	\$17,655,510	\$18,133,120
NET OPERATING INCOME	\$18,429,287	\$18,841,042	\$18,824,090	\$19,425,470
Non-Operating Income				
Investment Interest Income	\$149,045	\$202,382	\$253,260	\$154,940
Transfer Between Funds	\$813,146	\$290,975	\$996,360	\$556,090
TOTAL NON-OPERATING INCOME	\$962,191	\$493,357	\$1,249,620	\$711,030
Non-Operating Expenses				
Interest Payment	\$7,887,191	\$7,990,042	\$8,436,090	\$7,937,590
Mortgage Insurance	\$407,165	\$452,897	\$468,400	\$480,010
Principal Payment	\$4,521,613	\$4,937,075	\$4,634,940	\$4,358,240
Operating and Replacement Reserves	\$1,021,522	\$1,035,301	\$1,177,880	\$1,217,430
Restricted Cash Flow	\$3,220,998	\$3,080,858	\$3,215,350	\$3,825,690
Development Corporation Fees	\$1,073,884	\$1,578,827	\$1,344,720	\$1,370,100
TOTAL NON-OPERATING EXPENSES	\$18,132,373	\$19,075,000	\$19,277,380	\$19,189,060
NET NON-OPERATING ADJUSTMENTS	(\$17,170,182)	(\$18,581,643)	(\$18,027,760)	(\$18,478,030)
NET CASH FLOW	\$1,259,105	\$259,399	\$796,330	\$947,440

Budget Overview—Housing Management— Scattered Site Properties

The Adopted FY 2009 budgeted revenues for scattered-site properties are \$11.65 million. The total expenses in the FY 2009 Operating Budget

are \$9.28 million. Non-operational expenses are \$1.69 million. Net Cash Surplus will be \$674,730.

Revenue and Expense Statement

Housing Management Division Scattered Site Properties	FY 2006 Actual	FY 2007 Actual	FY 2008 Amended Budget	FY 2009 Adopted Budget
Operating Income				
Tenant Income	\$6,157,977	\$6,608,805	\$8,643,890	\$9,032,330
Federal Grant	\$1,371,986	\$1,345,776	\$1,551,760	\$2,250,960
Miscellaneous Income	\$14,356	\$4,294	\$16,220	\$4,570
TOTAL OPERATING INCOME	\$7,544,319	\$7,958,875	\$10,211,870	\$11,287,860
Operating Expenses				
Personnel Expenses	\$2,542,657	\$2,621,089	\$3,117,980	\$3,262,340
Operating Expenses - Fees	\$2,461,146	\$3,425,199	\$3,871,940	\$4,213,050
Operating Expenses - Administrative	\$107,925	\$123,285	\$99,290	\$73,390
Tenant Services Expenses	\$8,634	\$8,914	\$37,000	\$37,000
Utilities Expenses	\$84,213	\$105,530	\$122,350	\$116,480
Insurance and Tax Expenses	\$380,025	\$337,049	\$461,730	\$394,160
Maintenance Expenses	\$1,133,643	\$1,301,674	\$1,126,200	\$1,182,600
TOTAL OPERATING EXPENSES	\$6,718,243	\$7,922,740	\$8,836,490	\$9,279,020
NET OPERATING INCOME	\$826,076	\$36,135	\$1,375,380	\$2,008,840
Non-Operating Income				
Investment Interest Income	(\$14,009)	(\$2,783)	(\$2,300)	(\$7,000)
Transfer Between Funds	\$558,324	\$497,030	\$440,060	\$366,400
TOTAL NON-OPERATING INCOME	\$544,315	\$494,247	\$437,760	\$359,400
Non-Operating Expenses				
Interest Payment	\$502,683	\$493,040	\$729,280	\$674,510
Mortgage Insurance	\$29,114	\$27,111	\$26,380	\$25,610
Principal Payment	\$188,250	\$198,156	\$297,750	\$252,720
Operating and Replacement Reserves	\$200,046	\$200,433	\$497,860	\$458,470
Restricted Cash Flow	\$441,090	\$424,748	\$103,080	\$197,790
Development Corporation Fees	\$103,673	\$60,799	\$99,820	\$84,410
TOTAL NON-OPERATING EXPENSES	\$1,464,856	\$1,404,287	\$1,754,170	\$1,693,510
NET NON-OPERATING ADJUSTMENTS	(\$920,541)	(\$910,040)	(\$1,316,410)	(\$1,334,110)
NET CASH FLOW	(\$94,465)	(\$873,905)	\$58,970	\$674,730

Master Lease Properties—Revenue and Expense Statement

	FY 2006	FY 2007	FY 2008	FY 2009
Housing Management Division	Actual	Actual	Amended	Adopted
Master Lease Properties			Budget	Budget
Operating Income				
Tenant Income	\$679,278	\$637,819	\$677,740	\$675,070
TOTAL OPERATING INCOME	\$679,278	\$637,819	\$677,740	\$675,070
Operating Expenses				
Personnel Expenses	\$22,897	\$25,114	\$27,460	\$29,060
Operating Expenses - Fees	\$664,018	\$615,075	\$647,500	\$660,150
Operating Expenses - Administrative	(\$165)	\$6,565	(\$240)	\$0
Utilities Expenses	\$0	\$840	\$0	\$1,740
TOTAL OPERATING EXPENSES	\$686,750	\$647,594	\$674,720	\$690,950
NET OPERATING INCOME	(\$7,472)	(\$9,775)	\$3,020	(\$15,880)
Non-Operating Income				
Transfer Between Funds	\$7,472	\$16,806	\$14,640	\$15,880
TOTAL NON-OPERATING INCOME	\$7,472	\$16,806	\$14,640	\$15,880
Non-Operating Expenses				
Transfer Out Between Funds	\$0	\$7,031	\$17,660	\$0
TOTAL NON-OPERATING EXPENSES	\$0	\$7,031	\$17,660	\$0
NET NON-OPERATING ADJUSTMENTS	\$7,472	\$9,775	(\$3,020)	\$15,880
NET CASH FLOW	\$0	\$0	\$0	\$0

Capital Fund Program—Revenue and Expense Statement

	FY 2006	FY 2007	FY 2008	FY 2009
Housing Management Division	Actual	Actual	Amended	Adopted
Capital Fund Program			Budget	Budget
Operating Income				
Federal Grant	\$1,223,639	\$1,089,161	\$1,156,690	\$1,022,510
TOTAL OPERATING INCOME	\$1,223,639	\$1,089,161	\$1,156,690	\$1,022,510
Operating Expenses				
Personnel Expenses	\$499,312	\$436,986	\$396,010	\$411,040
Operating Expenses - Fees	\$10,000	\$0	\$0	\$0
Operating Expenses - Administrative	\$177,448	\$77,628	\$100,000	\$100,000
TOTAL OPERATING EXPENSES	\$686,760	\$514,614	\$496,010	\$511,040
NET OPERATING INCOME	\$536,879	\$574,547	\$660,680	\$511,470
Non-Operating Income				
Transfer Between Funds	\$72,680	\$0	\$0	\$0
TOTAL NON-OPERATING INCOME	\$72,680	\$0	\$0	\$0
Non-Operating Expenses				
Interest Payment	\$0	\$0	\$310,680	\$311,470
Operating and Replacement Reserves	\$0	\$92,312	\$0	\$0
Transfer Out Between Funds	\$609,559	\$482,235	\$350,000	\$200,000
TOTAL NON-OPERATING EXPENSES	\$609,559	\$574,547	\$660,680	\$511,470
NET NON-OPERATING ADJUSTMENTS	(\$536,879)	(\$574,547)	(\$660,680)	(\$511,470)
NET CASH FLOW	\$0	\$0	\$0	\$0

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Housing Resources Division

Mission Statement

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

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

Special points of interest:

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

Description

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

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

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

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

Program Objectives

- To improve customer service and program operations through better utilization of staff and technology.
- To maintain a High Performer score on Section Eight Management Assessment Program (SEMAP) for the fiscal year ending June 2008.
- To be in full compliance with HUD Housing Choice Voucher and Public Housing regulations.
- To ensure that income reporting of all participants is accurate using the new Enterprise Income Verification (EIV) system.
- To ensure that program rent payments are reasonable.
- To effectively serve as many program eligible families as possible while operating in a difficult fiscal environment.
- To fully utilize the 2008 HUD funding allocation.
- To improve communications with clients and landlords through newsletters, open forums and the Internet.

Performance Measurement Results

SEMAP

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

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

HOC expects to receive a standard performance rating in 2008; however, measures are currently in place to secure a high performance rating for 2009.

SEMAP Score								
SEMAP Component	Actual Score FY 2005	Max Score FY 2005	Actual Score FY 2006	Max Score FY 2006	Actual Score FY 2007	Max Score FY 2007	Preliminary Score FY 2008	Max Score FY 2008
Selection from the Waiting List	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Reasonable Rent	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Adjusted Income Determination	20.0	20.0	20.0	20.0	20.0	20.0	15.0	20.0
Utility Allowance Schedule	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
HQS Quality Control Inspection	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
HQS Enforcement	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
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	5.0	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	N/A	N/A	0.0	5.0	5.0	5.0	5.0	5.0
Annual HQS Inspections	5.0	10.0	0.0	10.0	10.0	10.0	10.0	10.0
Lease-Up	20.0	20.0	15.0	20.0	15.0	20.0	0.0	20.0
Family Self-Sufficiency (FSS) Enrollment with Escrow Accounts	10.0	10.0	8.0	10.0	5.0	10.0	10.0	10.0
Deconcentration Bonus	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Overall	135.0	140.0	118.0	145.0	135.0	145.0	120.0	145.0

Budget Overview—Rental Assistance Division

Total projected expenses in the FY 2009 Adopted Budget for the Rental Assistance Division not related to HAP are \$5.94 million. Personnel costs comprise 64.1% of the budget. Other expenses account for the

remaining 35.9% of the budget. **Please note that the FY 2009 Adopted Budget reflects changes as a result of the Agency re-organization.**

Revenue and Expense Statement

Housing Resources Division	FY 2006 Actual	FY 2007 Actual	FY 2008 Amended Budget	FY 2009 Adopted Budget
Operating Income				
Tenant Income	\$0	\$30	\$0	\$0
Non-Dwelling Rental Income	\$11,830	\$17,237	\$0	\$0
Federal Grant	\$66,938,030	\$68,862,857	\$67,771,060	\$66,891,180
County Grant	\$0	\$0	\$0	\$243,060
Miscellaneous Income	\$71,770	\$0	\$0	\$0
TOTAL OPERATING INCOME	\$67,021,630	\$68,880,124	\$67,771,060	\$67,134,240
Operating Expenses				
Personnel Expenses	\$3,046,670	\$3,101,500	\$3,495,380	\$3,806,900
Operating Expenses - Fees	\$1,054,955	\$1,828,959	\$1,901,550	\$1,785,810
Operating Expenses - Administrative	\$141,275	\$405,287	\$377,250	\$264,160
Tenant Services Expenses	\$0	\$0	\$0	\$6,500
Utilities Expenses	\$0	\$0	\$0	\$61,770
Maintenance Expenses	\$2,958	\$7,380	\$0	\$15,880
Housing Assistance Payments (HAP)	\$62,225,889	\$60,310,407	\$63,172,940	\$63,180,310
TOTAL OPERATING EXPENSES	\$66,471,747	\$65,653,533	\$68,947,120	\$69,121,330
NET OPERATING INCOME	\$549,883	\$3,226,591	(\$1,176,060)	(\$1,987,090)
Non-Operating Income				
Investment Interest Income	\$27,266	\$0	\$0	\$0
Transfer Between Funds	\$0	\$577,149	\$0	\$654,730
TOTAL NON-OPERATING INCOME	\$27,266	\$577,149	\$0	\$654,730
Non-Operating Expenses				
Operating and Replacement Reserves	\$0	\$3,885,478	\$0	\$0
Restricted Cash Flow	\$577,149	\$0	\$0	\$0
Transfer Out Between Funds	\$0	\$0	\$0	\$57,830
TOTAL NON-OPERATING EXPENSES	\$577,149	\$3,885,478	\$0	\$57,830
NET NON-OPERATING ADJUSTMENTS	(\$549,883)	(\$3,308,329)	\$0	\$596,900
NET CASH FLOW	\$0	(\$81,738)	(\$1,176,060)	(\$1,390,190)

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Mortgage Finance Division

Mission Statement

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

ownership housing in Montgomery County, MD, assure continued availability of such housing and 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 originates tax-exempt mortgage revenue bond financing for Single Family and Multi-Family programs. It also provides taxable bond financing to transactions where a tax-exempt structure is not appropriate. Through the bond financing activity, the Mortgage Finance Division enables HOC to provide below market interest rate mortgages for homeownership, finances HOC's multi-family acquisition and development

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

Program Objectives

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

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

Multi-Family Programs

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

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

Multi-Family Underwriting and Loan Origination

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

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

Portfolio Management

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

Single Family Programs

The Single Family section is responsible for activities relating to extending and affording 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: (1) completing one or two bond issues per year, which generate funds to make approximately 120 first mortgages to first time homebuyers; (2) overseeing the servicing of the active loan portfolio of approximately 1,200 first mortgages by twenty servicers and approximately 100 County closing cost assistance loans; (3) operating the HOC

Homeownership Program (HOC/HOP) which prepares HOC residents for homeownership by one on one counseling and homebuyer education classes; (4) managing the lending process for the Housing Choice Voucher Homeowner participants. The Single Family section also administers various programs which provide closing cost assistance.

Revolving County Closing Cost Assistance Program

On March 22, 2005, the County Council approved the program design and financial management plan for a new Revolving County Closing Cost Assistance Program. This program will provide closing cost and down payment

assistance for first time home buyers in the County. The assistance will be a secured second mortgage. Borrower's monthly repayments will be by automatic withdrawal from a bank account. The Commission is designated as the administrator of the program. The program is conceived to be able to produce new loans from repayments of existing loans and to pay the cost of administration.

Collateral Accounts

The Commission has received collateral funds totaling \$2.1 million from the County. As of December 31, 2007, the balance of collateral is \$132,921. The collateral was a requirement of Fannie Mae in order for HOC to obtain funding from Fannie Mae's Downpayment Assistance Program. The collateral funds are used to cover losses from defaulted loans and to make up for shortfalls between interest receipts from mortgage borrowers and amounts HOC owes Fannie Mae monthly. As of December 31, 2007, the balance on loans owed to Fannie Mae is \$57,105.

HOC Purchase Assistance Programs

- **2007 AB Single Family Bond Issue**

The 2007 AB Single Family Bond Issue generated \$245,000 of new purchase assistance within the Mortgage Purchase Program (MPP) when it closed on April 26, 2007.

- **2007 CDEF Single Family Bond Issue**

The 2007 CDEF Single Family Bond Issue generated \$422,689 in new purchase assistance within the MPP when it closed on November 1, 2007.

- **City of Gaithersburg Closing Cost Assistance**

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

- **Warehousing**

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

HOC Homeownership Programs

- Annually, assist approximately 50 families that are currently residing in HOC assisted housing to purchase their first home (302 families since the inception of the program).
- Provide training, budgeting, homes to purchase, and educational opportunities to residents who are preparing to become homeowners.
- Administer Federal and local programs that provide purchase opportunities for HOC residents.

Performance Measurement Results

Multi-Family Bond Issuance

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

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

Since 2005, a grand total of 3,235 units were financed in order to achieve a public purpose of 1,681 affordable units. Stated differently, 52% of the units financed since 2005 provided some level of public purpose. The occupancy for this post 2005 bond financed portfolio has been on an average 95.5% for the last two years.

Multi-Family Bond Issuance					
	FY 2005	FY 2006	FY 2007	FY 2008 *	FY 2009 Projection
Number of Loans	6	4	3	9	3
Total Units	678	965	437	1,155	488
Total Affordable Units	338	513	302	528	368
% of Affordable Units	50%	53%	69%	46%	75%
Total Bond Issuance	\$57,862,771	\$88,220,000	\$63,005,000	\$80,995,000	\$56,720,660
% of Area Median Income Served	40%-60%	40%-60%	30%-60%	30%-60%	30%-60%

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

Activities in the Mortgage Purchase Program

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

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

Mortgage Purchase Program					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009 Projection
Number of Bond Issues	1	1	1	2	2
Total Available Bond Proceeds (\$ millions)	\$22.5	\$60.0	\$35.0	\$71.1	\$60.0
Loans Made	124	147	278	228	225
Average Loan	\$158,290	\$175,040	\$206,748	\$225,554	\$250,000
Average Income	\$48,802	\$48,402	\$52,192	\$56,035	\$60,000
% of Median	55.0%	53.6%	55.2%	56.6%	NA
Median*	\$89,300	\$90,300	\$94,500	\$99,000	NA
Number of Closing Cost Loans	4	12	21	15	20
Total Closing Cost Provided	\$29,160	\$93,928	\$155,504	\$121,267	\$200,000

* The Washington DC, VA, MD Area Median Income as published by the US Department of Housing and Urban Development has continued to increase after being adjusted downward in 2003 to reflect the results of the 2000 census.

Budget Overview—Mortgage Finance

The total Adopted FY 2009 budgeted revenues for the Mortgage Finance Division are \$4.56 million. Total expenses in the FY 2009 Budget are \$3.02 million. Personnel costs comprise 60.6% of the budget. Operating expenses and

other miscellaneous expenses account for 37.7% of the budget, while non-operating expenses account for the remaining 1.7%.

Revenue and Expense Statement

Mortgage Finance Division	FY 2006 Actual	FY 2007 Actual	FY 2008 Amended Budget	FY 2009 Adopted Budget
Operating Income				
County Grant	\$132,270	\$144,080	\$160,500	\$125,920
Management Fees	\$1,532,007	\$2,372,335	\$1,673,460	\$1,626,930
Miscellaneous Income	\$8,481	\$12,276	\$0	\$0
TOTAL OPERATING INCOME	\$1,672,758	\$2,528,691	\$1,833,960	\$1,752,850
Operating Expenses				
Personnel Expenses	\$1,403,817	\$1,593,870	\$1,771,140	\$1,830,380
Operating Expenses - Fees	\$449,350	\$731,760	\$772,790	\$852,130
Operating Expenses - Administrative	\$308,375	\$156,830	\$316,570	\$269,090
Tenant Services Expenses	\$0	\$95	\$0	\$0
Maintenance Expenses	\$2,940	\$12,780	\$10,500	\$17,820
TOTAL OPERATING EXPENSES	\$2,164,482	\$2,495,335	\$2,871,000	\$2,969,420
NET OPERATING INCOME	(\$491,724)	\$33,356	(\$1,037,040)	(\$1,216,570)
Non-Operating Income				
Transfer Between Funds	\$2,884,071	\$3,036,376	\$2,661,490	\$2,808,720
TOTAL NON-OPERATING INCOME	\$2,884,071	\$3,036,376	\$2,661,490	\$2,808,720
Non-Operating Expenses				
Mortgage Insurance	\$182,163	\$136,408	\$37,730	\$51,230
Restricted Cash Flow	\$8,796	\$42,304	\$0	\$0
Transfer Out Between Funds	\$660,563	\$506,860	\$0	\$1,320
TOTAL NON-OPERATING EXPENSES	\$851,522	\$685,572	\$37,730	\$52,550
NET NON-OPERATING ADJUSTMENTS	\$2,032,549	\$2,350,804	\$2,623,760	\$2,756,170
NET CASH FLOW	\$1,540,825	\$2,384,160	\$1,586,720	\$1,539,600

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Real Estate Division

Adopted Budget
June 4, 2008

Mission Statement

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

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

Special points of interest:

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

Description

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

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

The Division also develops new multi-family rental housing, typically for residents with a wide range of incomes. These developments are part of HOC's Opportunity Housing portfolio and serve low, moderate, and market-rate households. The Division is currently working on a mixed-income development, MetroPointe, located on the site of the Wheaton Metro station and Kiss and Ride parking lot. MetroPointe, which incorporates a parking garage and retail space, is scheduled for lease in the Fall of 2008 and will

contribute to the revitalization of the Wheaton area and assist in a reduction of traffic by providing housing at a Metro station.

The Division has several new sites under acquisition or rehabilitation. Forest Oak Towers, acquired in March 2007, is undergoing modest upgrades to the units with the residents in place and is expected to be completed by November. HOC submitted a proposal for the development of 16 new townhouses on land owned by the County on Edson Lane in Rockville. The County specified continuation of nine townhouses at workforce housing levels, and six at MPDU levels. HOC submitted the winning bid and will start construction in FY 2009 with completion estimated in FY 2010. Aspen Court, a vacant 16 unit apartment building in Takoma Park was acquired in September 2007 with County funding and will be rehabilitated for occupancy in FY 2009. Forty nine rental units in the King Farm community were put under contract based on the County's Right of First Refusal and acquired on March 17, 2008. The units will be updated and sold as workforce housing. HOC acquired a site for a Jubilee home to serve low income residents with developmental disabilities and

expects to bring the home online in FY 2009. Finally, HOC is still moving forward on the planning and development of 12 new housing units for the homeless in Bethesda on Hampden Lane. We are hopeful that construction will begin in FY 2009.

As HOC's existing portfolio of Opportunity Housing ages, there is an on-going need for modernization and renovation. The Division is providing development services to keep this housing in good condition. These sites raise complex issues. The rehabilitation is often significant, as a number of the buildings have not been improved for many years. Finding the funds for the work generally requires refinancing while at the same time rent increases must be limited in order to allow existing lower income residents to remain in their homes. Recently, Division staff completed the comprehensive rehabilitation of three HOC projects – The Barclay, Spring Garden, and Chevy Chase Lake Apartments. Staff also completed systems work at Paddington Square Apartments. Rehabilitation has begun on Pooks Hill High-Rise Apartments and is expected to be complete in FY 2009. Staff is currently reviewing options for the substantial renovation of Tanglewood Apartments.

Housing Opportunities and Concepts

Housing Opportunities and Concepts (HO&C) was established in FY 2006 to develop the goals set in Objective II of the strategic plan of the prior year; "Establish a wholly owned subsidiary with dedicated staff to generate income for affordable housing and reduce reliance on uncertain government funding." A business plan was approved by the Commission on March 1, 2006, and up to \$1 million in seed capital was earmarked for the new venture. In April, 2006, House Bill 657

was signed by the Governor. The bill changed HOC's enabling legislation to allow HOC to operate outside of Montgomery County and the State of Maryland. HO&C is presently an operating unit within HOC with its own full time staff. HO&C offers development advisory services and works in conjunction with the Real Estate Development Division.

HOC has over thirty years of development experience as a lender and public developer in a variety of affordable and market rate mixed income properties. HO&C is offering development advisory services to public agencies, non-profits, municipalities and private developers interested in HOC's expertise as a developer. There are approximately 3,400 Public Housing Authorities in the United States, most of which are smaller and less experienced than HOC. Many of these agencies are interested in developing mixed income communities that will include affordable and market rate tenants. They are also interested in affordable and mixed income diversity and becoming less dependent on the uncertain federal funding available for the Public Housing and Housing Choice Voucher Programs. In addition, there are numerous non-profits and private developers interested in affordable, workforce and mixed income housing who can benefit from HOC's experience as a developer. HO&C offers advisory services to such entities, and guides them through the complex process of financing and developing viable affordable and mixed-income housing. HO&C is currently working as development advisor to clients in Maryland, the District of Columbia and Virginia.

Program Objectives

HOC implements a Strategic Plan on a bi-annual basis. Operating under the current Strategic Plan, HOC will use its development capacity to:

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

Budget Overview—Real Estate Division

The total Adopted FY 2009 budgeted revenues for the Real Estate Division are \$2.24 million. Total expenses in the FY 2009 Budget are \$1.80 million. Personnel costs comprise

90.9% of the total operating expenses. Operating and other miscellaneous expenses account for the balance of the budget.

Revenue and Expense Statement

Real Estate Division	FY 2006 Actual	FY 2007 Actual	FY 2008 Amended Budget	FY 2009 Adopted Budget
Operating Income				
County Grant	\$152,405	\$162,951	\$179,900	\$179,900
Management Fees	\$851,193	\$379,385	\$240,000	\$480,000
Other Service Income	\$9,651	\$142,344	\$636,670	\$648,070
TOTAL OPERATING INCOME	\$1,013,249	\$684,680	\$1,056,570	\$1,307,970
Operating Expenses				
Personnel Expenses	\$1,273,954	\$1,535,389	\$1,659,260	\$1,633,330
Operating Expenses - Fees	\$19,586	\$23,815	\$22,050	\$68,400
Operating Expenses - Administrative	\$91,788	\$61,307	\$157,970	\$94,880
TOTAL OPERATING EXPENSES	\$1,385,328	\$1,620,511	\$1,839,280	\$1,796,610
NET OPERATING INCOME	(\$372,079)	(\$935,831)	(\$782,710)	(\$488,640)
Non-Operating Income				
Transfer Between Funds	\$1,056,148	\$1,637,101	\$1,039,010	\$927,760
TOTAL NON-OPERATING INCOME	\$1,056,148	\$1,637,101	\$1,039,010	\$927,760
Non-Operating Expenses				
Operating Reserve Contribution	\$0	\$359,976	\$66,780	\$0
Transfer Out Between Funds	\$0	\$4,373	\$0	\$0
TOTAL NON-OPERATING EXPENSES	\$0	\$364,349	\$66,780	\$0
NET NON-OPERATING ADJUSTMENTS	\$1,056,148	\$1,272,752	\$972,230	\$927,760
NET CASH FLOW	\$684,069	\$336,921	\$189,520	\$439,120

Resident Services Division

Mission Statement

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

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

Special points of interest:

Description

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

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

Other services include:

- Employment related services, job training, and skill building training opportunities.
- Financial Literacy services: budgeting credit repair 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 prevent homelessness.
- Academic enrichment, employment, and recreation for youth.
- Housing counseling services for homeless referred by the County.
- Services to residents of Preservation Properties such as Stewartown, Forest Oak Towers, Georgian Court, The Barclay, Shady Grove Apartments and The Willows.
- Program Administration and Facilitation.
- Volunteer Services.
- Housing Opportunities Community Partners, Inc. and the Resident Advisory Board.
- Parent Resource Centers.
- Assistance to HOC owned third party managed programs.

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

Program Objectives

Core Services to Families, Elderly, and Disabled

- Provide counseling, crisis intervention, information and referral on a drop-in, short term or ongoing basis.
- Provide orientation to new elderly/disabled residents within 30 days of move-in to assess needs and explain HOC policies and lease provisions.
- Provide quality control and improved coordination of services implemented through external service providers in elderly buildings.
- Respond to community complaints regarding Public Housing multi-family developments, Elderly buildings, and Preservation Property sites within 48 hours of receipt and initiate appropriate investigation and resolution.
- Provide emergency financial assistance to HOC residents to prevent eviction and utility disconnections.
- Coordinate with the Housing Resources Division and Federal Programs Division on lease enforcement cases and Housing Choice Voucher compliance issues.
- Ensure that residents who require critical social services gain access to such services through partnerships and brokering of services with other agencies.
- Provide assistance to disabled individuals/families to ensure adequate housing placements and opportunity to live independently and to make self-determined choices that promote responsibility and community inclusion.
- Maximize resident involvement in HOC programs by facilitating Resident Advisory Board activities, community based associations, and other resident-initiated activities.

Self-Sufficiency Programs

- Maintain HUD required enrollment levels of 441 FSS participants.
- Ensure Family Self-Sufficiency (FSS) participants who have completed five years of FSS enrollment meet HUD requirements for graduation, including independence from welfare cash assistance.

- Maintain high responsiveness to opportunities related to economic independence and personal improvement through operation of the FSS Program, and the Employment Initiative Program.
- Provide ongoing case management (assessment, goal planning and resources).
- Provide opportunities and support funds for job training, GED, literacy, ESL, higher education, and career development.

Supportive Housing Programs for Homeless Households

- Maintain 95% enrollment of homeless families and chronically mentally ill adults in independent, permanent housing.
- Ensure that 95% of homeless families who graduate from transitional housing programs will remain stable and in permanent housing for at least one year.
- Implement new McKinney XII Program for 14 homeless and disabled individuals.
- Provide ongoing case management and supportive resources including furnishings, transportation, medication assistance, child care and other critical needs to allow program participants to live independently.
- Ensure therapeutic services are made available to program participants.

Services to Children and Youth

- Enroll approximately 350 HOC youth in summer day camps and other recreational activities.
- Assist youth with college scholarship assistance, summer jobs and educational programs for teens, and year-round recreational activities for youth.
- Enroll at least 200-250 youth in after-school tutorial or homework assistance programs.
- Establish and maintain partnerships so as to involve youth in scouting, bicycle, nutrition programs including ensuring acquisition and distribution of school supplies.
- Enroll at least 50 girls in the Girl Scouts of America at the FRC's and Preservation Sites.
- Enroll at least 50 youth from Tanglewood, Stewartown and Seneca Ridge into a bike

program to promote nutrition/health and obesity reduction.

Volunteer Program

- Recruit and place a minimum of 350 volunteers from the general community, corporate, university, and resident sectors to supplement program staff and service Agency-wide.
- Enhance resident service initiatives through special projects and donations.
- Solicit a minimum of \$80,000 of in-kind donations per year through Community Partners, Inc.

Employment Initiative Program

- Assists over 200 residents annually in obtaining the skills and experiences necessary for successful employment in viable careers with livable wages and upward mobility.
- Trains 100 residents annually in keyboarding and computer software programs via volunteer instructors.
- Offers workshops on career planning, customer service, Federal jobs/applications, and improving retention for newly employed residents.

- A minimum of 100 participants obtain employment or increase employability in careers ranging from \$10 per hour (\$20,800) to \$16 per hour (\$41,000).
- Offers three, 12-week Employment Support Group sessions annually to enhance job readiness, self-confidence, and help guide the job search process.
- Provides individual career assessment and career planning assistance.
- Offers volunteer work experiences, job placement assistance and retention services.
- Conducts two job fairs annually to connect job-ready residents with businesses interested in hiring.
- Works in partnership with various community based employers and organizations such as Howard University, Montgomery College, Johns Hopkins University, the local One-Stop Center, University of Maryland, Shady Grove and Suburban Hospitals, to ensure job opportunities.

Performance Measurement Results

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 \$8,000 per graduate) resulting

from higher earned incomes yielding higher rent payments. Intensive goal-oriented case management service, the escrow funds coupled with job training, education, child care and transportation, underlie the program's extraordinary success. HOC's FSS has been repeatedly cited by HUD as one of the best in the country.

Family Self-Sufficiency Program								
Measurement	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Mandated Participants	441	441	441	441	441	441	441	441
Enrolled Participants	384	390	421	417	415	407	397	400
In Process of Enrolling	135	120	121	96	73	76	79	80
Graduates	51	33	38	34	57	52	60	40
% Graduating	14	11	9	8	14	13	15	10
% Employed at Graduation	100	100	100	100	100	100	100	100
% of Graduates who completed College, Tech, GED or other training while in FSS	34	30	83	82	84	95	88	85
Participants who Withdrew, were Terminated, or Unsuccessful in FSS	46	56	39	51	54	50	51	50
Homebuyers	14	9	7	6	11	14	11	6
% of Participants Employed	80	80	80	82	78	75	68	70
% of Participants with Escrow Accounts	50	50	67	56	52	58	48	50
Other Family Members currently Enrolled	42	38	35	33	26	23	27	25

HOC's five-year FSS Program began in 1993. While HUD "mandates" 441 participants (75 PH and 366 HCV), the program's size is effectively limited to the number of case management slots budgeted. A substantial waiting list exists (150-200 families). Five full-time case managers carry caseloads of 50 families each; three part-time case managers carry 20-35 families. Under a Memo of Understanding (MOU) with HOC, the Department of Health and Human Services (DHHS) has committed to case management of up to 125 FSS families (currently 86) in HHS' service pool such as welfare recipients. Crossway Community staff manage FSS participants (currently 33) who are in Crossway's program. Additionally, four

Katrina families have joined FSS. Approximately 38% of FSS families either received welfare cash assistance or were unemployed when they began FSS, and approximately 60% lacked a GED/high school diploma. About 96% are single mothers with an average of two children and an average age of 36. Many have little or no work experience or have poor work histories, suffer from serious physical and mental health problems (notably depression), have inadequate English literacy, learning disabilities, and low self-esteem. A significant number receive disability assistance from SSI or SSDI.

Family Resource Centers (FRC)

HOC's Family Resource Centers are multi-purpose centers which serve as the nucleus of community activities in three Public Housing developments. Goals include the following:

- 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 the integration of community resources with community needs.
- FRC facilities routinely offer computer skills training, after-school recreation and homework assistance programs and are open late evening during week days and one weekend day each month. Trips, excursions and community events are

conducted to broaden the horizons of the children and families.

- Each FRC offers counseling, information and referral, and intervention with residents on social and personal issues.
- Programs offered by each FRC will be supplemented by services from external service providers such as the Girl Scouts, Montgomery County Recreation Department, and various volunteer groups and service clubs.
- FRCs serve an average of 350 unduplicated families annually including families Housing Choice Voucher Program or scattered site program.
- Strengthen and support the development and viability of resident associations in each of the clustered housing sites.

Family Resource Centers					
Measurement	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Units in target neighborhood	250	220	220	220	285
Afterschool Programs, Transportation, Tutoring, Recreational Activities, Parent-Child Education Program*	1,450	1,450	1,300	1,325	1,450
Employment Training, Computer Skills, Reading Initiatives, Education, Transportation*	350	350	350	350	375
Health Education, Parenting Support, Sewing, Girl Scouts, Cultural and Other (Leadership Skills, etc.)*	600	650	600	600	650

* May be individuals participating in more than one activity.

Parent Resource Centers (PRC)

HOC operates four Parent Resource Centers located in Rockville, Silver Spring, Aspen Hill, and Gaithersburg. The goals of the program are:

- To enhance parenting skills of participating families.
- To enhance the early childhood development of children ages 0-5.
- To provide support for parents.
- To provide referrals to assist parents with parenting and family concerns.
- Identify children with special needs who may experience school problems upon enrollment.

Parent Resource Centers					
Measurement	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Families Served	250	250	250	250	300
Children Served	350	350	350	350	400

Housing Programs for Homeless/ Disabled Single Adults and Families

Federal Programs include: Shelter Plus Care Program (S+C), New Neighbors Program, and Supportive Housing Program (SHP).

Shelter Plus Care (S+C) and New Neighbors Program Goals:

- Provide permanent rental assistance to a minimum of 42 homeless single adults with serious mental illness through the S+C Program and 20 through the New Neighbors Program.
- Comply with Federal requirement for 100% service match to funding on an annual basis.
- Partner with Mental Health Association for case management services to S+C and New Neighbors clients.

Supportive Housing Program Goals:

- Maintain 95% enrollment of 178 homeless families and chronically mentally ill adults in independent, permanent housing.
- Ensure that 95% of homeless families will remain stable and in permanent housing for at least one year.
- Provide ongoing case management and supportive resources including furnishings, transportation, medication assistance, child care and other critical needs to allow program participants to live independently.
- Ensure therapeutic services and other resources including assistance with child care, employment services, and transportation to the extent available are provided to program participants.

State Programs include: State Rental Allowance Program (RAP).

Program Goals:

- Determine programmatic and income eligibility and maintain minimum enrollment of 25 homeless households who have the potential of becoming self-sufficient within 12 to 24 months.
- Provide rental assistance of \$600-\$840 depending on family size.

County Programs include: Supportive Housing Rental Assistance Program (SHRAP).

Program Goals:

- Receive participant referrals and a commitment from the County Department of Health & Human Services or other service providers for ongoing case management services to ensure the goal of self-sufficiency.
- Provides service coordination service for up to 28 County referred homeless individuals. Services include unit search, unit inspection, information/referral and access to community resources.

Housing Counseling Program

- Assist 70 homeless households to secure permanent housing and provide supportive services in the lease-up process through the State Housing Counseling Program.

Rental Supplement Program

- Provide a shallow rental subsidy for approximately 147 families living in four privately owned properties. Subsidies range from \$248 to \$372 depending on unit size.

Budget Overview—Resident Services Division

The total Adopted FY 2009 Budget for this division is \$10.53 million, an increase of 2.8% from the FY 2008 Amended Budget of \$10.24 million. Personnel costs comprise 45.9%.

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

Revenue and Expense Statement

Resident Services Division	FY 2006 Actual	FY 2007 Actual	FY 2008 Amended Budget	FY 2009 Adopted Budget
Operating Income				
Tenant Income	\$448,427	\$497,094	\$521,080	\$640,920
Non-Dwelling Rental Income	\$69,313	\$73,373	\$27,900	\$27,480
Federal Grant	\$2,806,960	\$2,952,156	\$3,394,460	\$3,516,970
State Grant	\$88,034	\$101,709	\$196,070	\$103,080
County Grant	\$4,983,376	\$5,168,802	\$5,717,930	\$6,068,040
Miscellaneous Income	\$2,670	\$3,181	\$0	\$0
TOTAL OPERATING INCOME	\$8,398,780	\$8,796,315	\$9,857,440	\$10,356,490
Operating Expenses				
Personnel Expenses	\$3,845,523	\$4,103,080	\$4,753,200	\$4,828,790
Operating Expenses - Fees	\$645,408	\$705,915	\$630,400	\$628,380
Operating Expenses - Administrative	\$389,757	\$240,695	\$164,940	\$154,500
Tenant Services Expenses	\$2,517,506	\$2,493,560	\$3,236,400	\$2,940,210
Utilities Expenses	\$226,195	\$248,278	\$271,690	\$278,780
Insurance and Tax Expenses	\$12,000	\$8,400	\$5,920	\$3,010
Maintenance Expenses	\$67,537	\$28,405	\$38,690	\$32,140
Housing Assistance Payments (HAP)	\$603,329	\$694,778	\$674,030	\$866,230
TOTAL OPERATING EXPENSES	\$8,307,255	\$8,523,111	\$9,775,270	\$9,732,040
NET OPERATING INCOME	\$91,525	\$273,204	\$82,170	\$624,450
Non-Operating Income				
Investment Interest Income	\$0	\$1,778	\$0	\$0
Transfer Between Funds	\$3,227,831	\$3,149,528	\$278,990	\$150,820
TOTAL NON-OPERATING INCOME	\$3,227,831	\$3,151,306	\$278,990	\$150,820
Non-Operating Expenses				
Operating and Replacement Reserves	\$26,536	\$19,457	\$23,240	\$30,060
Transfer Out Between Funds	\$3,295,663	\$3,390,331	\$441,150	\$769,050
TOTAL NON-OPERATING EXPENSES	\$3,322,199	\$3,409,788	\$464,390	\$799,110
NET NON-OPERATING ADJUSTMENTS	(\$94,368)	(\$258,482)	(\$185,400)	(\$648,290)
NET CASH FLOW	(\$2,843)	\$14,722	(\$103,230)	(\$23,840)

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Capital Budget

Adopted Budget
June 4, 2008

Capital Budget Description

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

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

Special points of interest:

The FY 2009 Capital Budget is \$118.7 million.

Impact of Capital Budget on Operating Budget

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

- The non-routine capital expenditures affect current and future operating budgets and services that the entity provides for the following reasons:
- When non-routine mechanical capital items are not addressed as needed, the lack of such attention creates deferred maintenance. Deferred maintenance leads to additional expense in the form of ongoing and repeated repairs that cause inconveniences and distress to residents which deteriorates resident relations and confidence; additional work load 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 2009 Capital Budget is \$118.7 million. The FY 2009 Capital Budget includes funds to maintain current Information Technology needs, as well as, improvements to the Kensington Office. Funds have also been included for capital improvements to HOC's Public Housing properties as well as the Opportunity Housing and Development Corporation properties. The total Capital Improvement Budget will cost \$7.4 million.

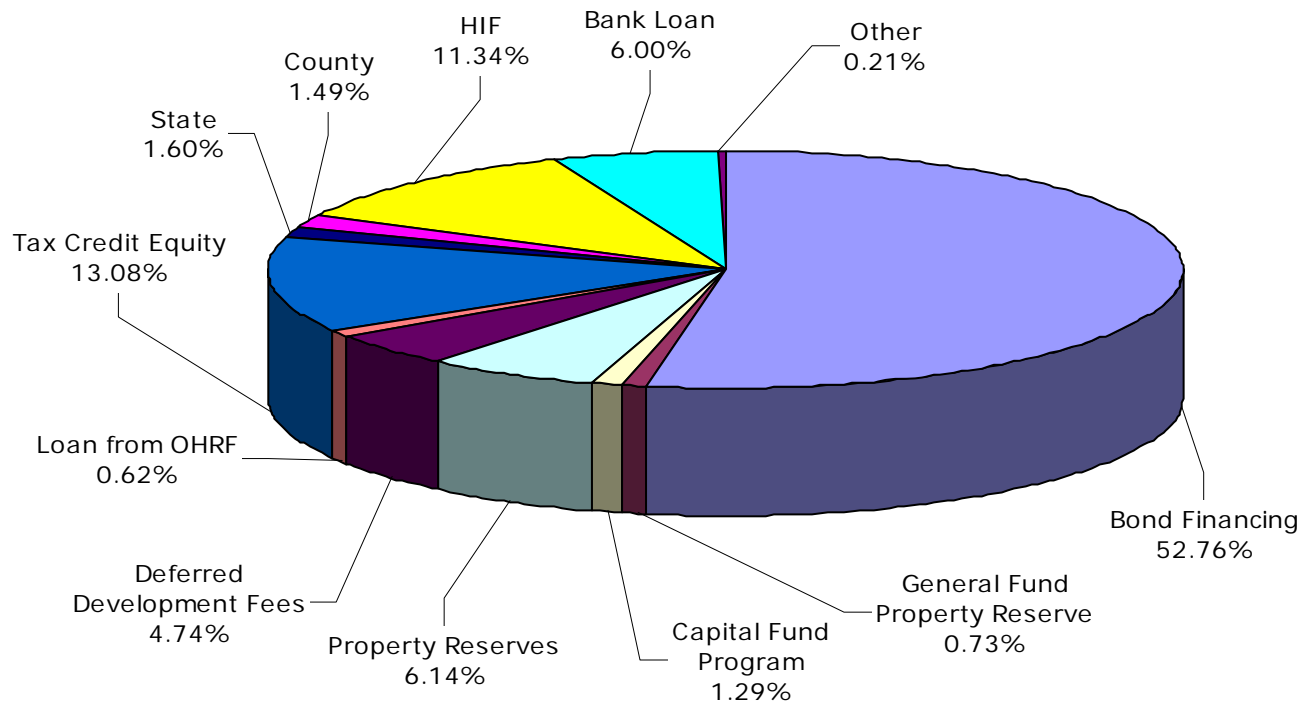
The Capital Development Budget includes funds for MetroPointe, a multi-family development in the Wheaton area, renovations of Pooks Hill High-Rise, the oldest

high-rise building in Montgomery County, the acquisition and rehabilitation of Forest Oak Towers, a high-rise development in Gaithersburg, the acquisition of Aspen Court, an apartment building located in Takoma Park, the acquisition of 49 rental units in King Farm Village, HOC's first workforce housing project, which will be converted to for-sale condominiums, and the acquisition of a site for a Jubilee home to serve low income residents with developmental disabilities. The total development budget will cost \$111.3 million.

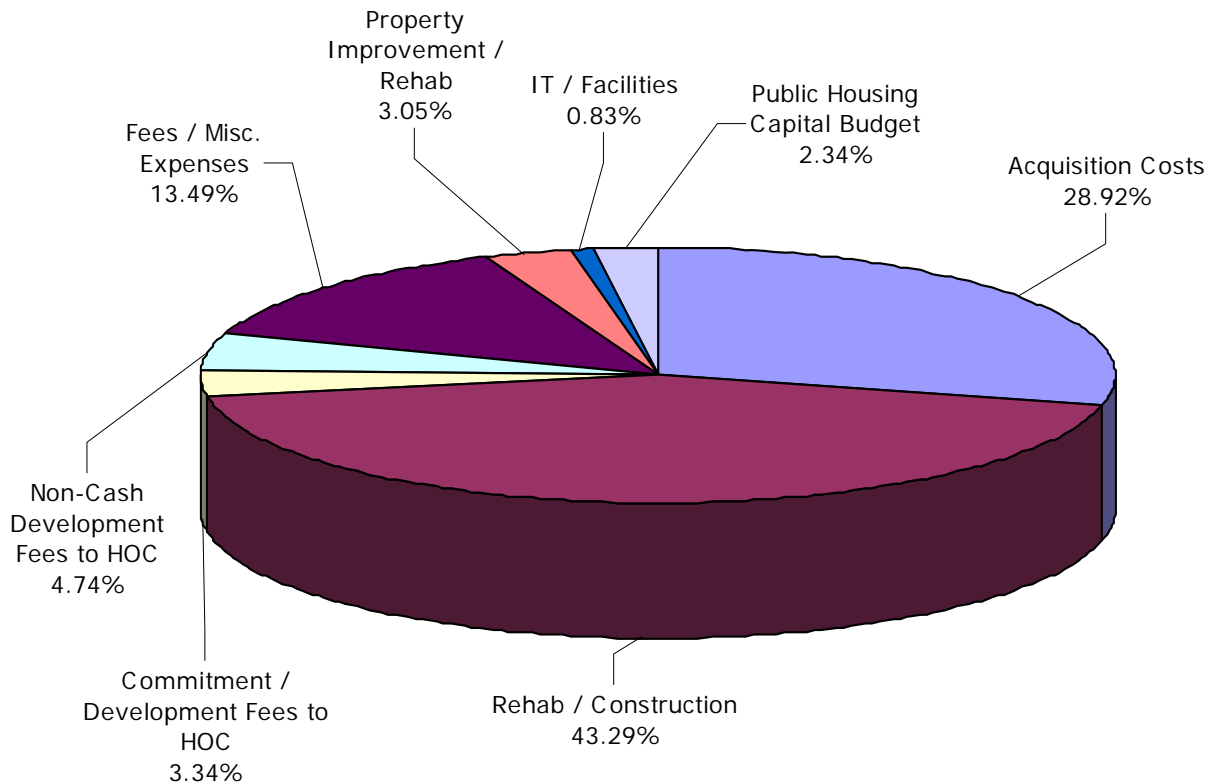
Capital Improvement Budget—Summary

Capital Budget Summary	FY 2009 Adopted Budget
Capital Improvements	
Kensington Office	\$350,000
Information Technology	\$630,000
Public Housing Properties	\$2,780,720
Opportunity Housing Properties	\$3,625,190
SUBTOTAL	\$7,385,910
Capital Development Projects	
MetroPointe	\$54,997,450
Pooks Hill High-Rise Apartments	\$12,714,830
Forest Oak Towers	\$27,486,540
Aspen Court	\$1,700,000
King Farm Village	\$13,525,000
Jubilee Home	\$910,000
SUBTOTAL	\$111,333,820
TOTAL	\$118,719,730

Source of Funds



Use of Funds



Capital Improvement Budget—Facilities and IT Department

Facilities and Information Technology (IT) Improvements

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

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

Capital Improvement Budgets

FY 2009

Facilities & IT Department

Adopted Budget

	Total Expenses	Revenue Sources		
		Operating Budget	Loan from OHRF	Roll-Over FY08
Facilities				
Equipment & Facilities	\$350,000	\$100,000	\$250,000	
Subtotal - Facilities	\$350,000	\$100,000	\$250,000	
Information Technology (IT)				
Computer Software	\$270,000		\$270,000	
Equipment	\$360,000	\$150,000	\$210,000	
Subtotal - IT Improvements	\$630,000	\$150,000	\$480,000	
TOTAL	\$980,000	\$250,000	\$730,000	

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 2009
Adopted Budget

	Revenue Sources				FY 2008 Roll-Over
	Total Expenses	Property Reserves	Gen. Fund Prop Res.	FY 2009 RfR	
Alexander House	\$475,200	\$403,050		\$72,150	
The Barclay	\$20,540	\$20,540			
Brookside Glen (The Glen)	\$249,000	\$249,000			
Chevy Chase Lake	\$18,200	\$18,200			
Diamond Square	\$173,500	\$173,500			
Fairfax Court	\$34,100	\$34,100			
Greenhills	\$180,000	\$113,220		\$66,780	
Holiday Park	\$119,900		\$108,950	\$10,950	
Magruder's Discovery	\$10,800			\$10,800	
McHome	\$98,150		\$81,750	\$16,400	
McKendree	\$7,340			\$7,340	
Metropolitan, The	\$121,890	\$121,890			
Montgomery Arms	\$56,500	\$56,500			
MHLP I	\$122,350		\$109,560	\$12,790	
MHLP III	\$139,850		\$50,450	\$89,400	
MHLP IV	\$122,900		\$19,400	\$103,500	
MHLP V	\$81,400		\$55,100	\$26,300	
MPDU 2004	\$11,900	\$11,900			
MPDU I (64)	\$354,000		\$326,460	\$27,540	
TPM - MPDU II (59)	\$121,200	\$32,210	\$71,290	\$17,700	
The Oaks at Four Corners	\$72,800	\$72,800			
Paddington Square	\$120,550	\$117,880	\$2,670		
Paint Branch	\$15,150		\$6,750	\$8,400	
Pooks Hill High-Rise	\$11,750	\$11,750			
Pooks Hill Mid-Rise	\$23,000	\$23,000			
TPM - Pomander Court	\$33,200		\$26,000	\$7,200	
Sligo Hills/ MPDU III	\$116,550	\$101,440	\$5,920	\$9,190	
State Rental Combined	\$34,310			\$34,310	
Strathmore Court	\$145,110	\$98,500		\$46,610	
Tanglewood	\$30,100			\$30,100	
TPM-Timberlawn	\$88,700	\$88,700			
Westwood Tower	\$415,250	\$287,870		\$127,380	
TOTAL	\$3,625,190	\$2,036,050	\$864,300	\$724,840	\$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 2009, the Commission will receive a grant for over \$2.2 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 2009, Montgomery County is providing \$1.25 million in funds for Public Housing improvements via the Capital Improvement Program.

Capital Improvement Budgets

FY 2009

Public Housing Properties

Adopted Budget

	Revenue Sources			
	Total Expenses	Capital Fund Program (Yr. 16)	Capital Fund Program (Yr. 17)	County Funds
Specific Property Improvements				
Elizabeth House	\$680,000		\$180,000	\$500,000
Holly Hall	\$263,260	\$90,000	\$48,260	\$125,000
Arcola Towers	\$185,000		\$60,000	\$125,000
Waverly House	\$440,000	\$50,000	\$140,000	\$250,000
Parkway Woods	\$45,000		\$45,000	
Towne Centre Place	\$65,000		\$65,000	
Sandy Spring Meadow	\$50,500		\$50,500	
Emory Grove	\$10,000		\$10,000	
Tobytown	\$30,000		\$30,000	
Seneca Ridge (Middlebrook Square)	\$52,000		\$52,000	
Scattered Sites Central	\$208,000	\$55,000	\$103,000	\$50,000
Scattered Sites East	\$192,990	\$40,000	\$102,990	\$50,000
Scattered Sites Gaithersburg	\$197,990	\$45,000	\$102,990	\$50,000
Scattered Sites North	\$187,990	\$35,000	\$102,990	\$50,000
Scattered Sites West	\$172,990	\$20,000	\$102,990	\$50,000
TOTAL	\$2,780,720	\$335,000	\$1,195,720	\$1,250,000

Capital Development Budget

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

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

Capital Development Projects

MetroPointe Apartments Construction

MetroPointe Apartments (formerly Wheaton Metro) is a 173-unit apartment community that will be built at the site of the Washington Metropolitan Area Transit Authority (WMATA) subway station in Wheaton. The apartments will be in a three-story and four-story building that incorporates the Metro Kiss & Ride facility as well as structured parking and community space. Construction began in June of 2006 with a scheduled completion in September of 2008. The project will provide 53 affordable apartments, including 18 units subsidized with project-based vouchers and 35 units available for families at or below 50% of area median income. There will be an additional 120 apartments at market-rates.

The 53 affordable units will be known as Wheaton Metro Limited Partnership. Commencing on January 1, 2009, in consideration of the services performed by HOC as the general partner, the limited partnership shall pay to HOC an annual

cumulative partnership management fee in the amount of \$12,500 (increased 3% annually). This fee is payable from available cash flow prior to the payment of any subordinate debt.

The 120 market-rate units will be established as a Development Corporation (See Five Year Pro-forma on next page). Beginning in the first stabilized year, FY 2010, the Development Corporation will pay HOC an asset management fee equal to 1.5% of effective gross income. This fee is payable from available cash flow after the payment of any subordinate debt. The projected asset management fee for the first stabilized year is approximately \$34,000. Projected asset management fees for the first five years total approximately \$200,000.

Funding for a Resident Counselor will be provided via Montgomery County through a contract to provide services at properties geared to preserving affordability.

FY 2009

MetroPointe

Adopted Budget

Total Expenses	Revenue Sources				
	Bond Financing	Tax Credit Equity	Deferred Development Fees	County Housing Initiative Fund	State Loans
\$54,997,450	\$36,350,000	\$8,623,760	\$4,643,690	\$3,850,000	\$1,530,000

**MetroPointe Development Corporation
Impact to Operations**

**Five Year Proforma
(Dollars in Thousands)**

	Year One *	Year Two	Year Three	Year Four	Year Five
Operating Income	\$2,697	\$2,775	\$2,856	\$2,939	\$3,025
Operating Expense	\$737	\$765	\$795	\$826	\$858
Net Operating Income	\$1,960	\$2,010	\$2,061	\$2,113	\$2,167
Non-Operating Expense **	\$1,960	\$1,967	\$1,968	\$1,970	\$1,971
Cash Flow	\$0	\$43	\$93	\$143	\$196

* First Stabilized Year is FY 2010.

** Non-Operating Expenses include asset management fee in the amount of 1.5% of Effective Gross Income (EGI).

**Pooks Hill High-Rise Apartments
Renovation**

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

bathrooms are planned. Preliminary work began in late 2006 and the rehabilitation is expected to be completed in 2009.

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

FY 2009

Pooks Hill High-Rise Apartments

Adopted Budget

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

Pooks Hill High-Rise Apartments

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

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

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

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

Forest Oak Towers

The property consists of a single ten-story building with 175 units. All of these units are occupied by income-qualified elderly and disabled persons. One hundred percent of the units are supported by project-based Section 8 subsidies. Of the total units, 165 are one-bedroom apartments and the remaining ten are two-bedroom apartments. Additionally, one hundred percent (100%) of the units are occupied by households with limited incomes (at or below 60% Area Median Income). HOC purchased the property in March of 2007 and began moderate rehabilitation immediately. Plans include upgrades to unit interiors and work will be completed by November 2008.

Commencing on January 1, 2008, in consideration of the services performed by HOC as the general partner, the limited partnership shall pay to HOC an annual cumulative partnership management fee in the amount of \$26,250 (increased 3% annually). This fee is payable from available cash flow prior to the payment of any subordinate debt. Additionally, after the

payment of subordinate debt obligations, the limited partnership shall pay to HOC an annual non-cumulative incentive management fee up to 10% of effective gross income. Projected incentive management fees for the first five years total approximately \$700,000.

Since the property is 100% Project-Based, rents will not be increased as a result of the non-routine capital expenditures. Therefore, the improvements do not generate additional rental revenue. However, the improvements, including but not limited to, replacing all windows, water heaters, heat pumps, plumbing fixtures, kitchen cabinets and appliances, and installing ceiling fans in every unit, will significantly reduce the future cost of maintenance and repairs. The improvements will also substantially reduce the cost of utilities (electricity) paid by the residents.

Funding for a Resident Counselor will be provided via Montgomery County through a contract to provide services at properties geared to preserving affordability.

FY 2009

Forest Oak Towers

Adopted Budget

Total Expenses	Revenue Sources			
	Bond Financing	Tax Credit Equity	Deferred Development Fees	County Housing Initiative Fund
\$27,486,540	\$18,100,000	\$6,908,690	\$977,850	\$1,500,000

Aspen Court

Aspen Court, acquired in September 2007, is a 16-unit apartment building located in Takoma Park. Staff is currently in the process of creating a plan to renovate the vacant building's 13 two-bedroom and three one-bedroom apartments. After renovation, units at Aspen Court are expected to be rented to low-income qualifying families as per the direction of the County Department of Housing and Community Affairs (DHCA).

The now vacant, non-operating property will require extensive capital improvements

before occupancy can be considered. Since the property was acquired with the use of County Housing Initiative Funds (HIF), there is no debt service being carried on the building at this time. Based upon estimated timing to complete the necessary renovations, occupancy is not expected prior to Spring 2009. Although not quantified at this time, renovations are expected to reduce both utility and maintenance costs as compared to historical operations. The operating budget will be developed once the rent structure has been established.

Aspen Court

**FY 2009
Adopted Budget**

	Revenue Source
Total Expenses	County Housing Initiative Fund
\$1,700,000	\$1,700,000

King Farm Village

HOC acquired King Farm Village Center Apartments on March 17, 2008 with the intent of converting the units into a for-sale condominium regime as a demonstration project under Montgomery County's new Workforce Housing program. The units will be upgraded to condominium-level finishes in preparation of being placed in the for-sale market. The property is approximately 50% occupied as of August 2008. Accordingly, there exists some, yet minimal, operational

income associated with the property through June 2009. This amount is expected to decrease over the fiscal year because, as units are vacated, they are not being re-rented and will be held off-market to be sold. Proceeds from the sale of the units will be used to pay off the original bank loan with any shortfalls in the project budget to be covered by a guarantee from DHCA. HOC expects to earn a \$500,000 fee in connection with the development.

King Farm Village

**FY 2009
Adopted Budget**

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

Jubilee Home

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

provider. The funding, up to \$375,000 from the State and \$535,000 from the County, was granted. In July 2008, HOC acquired a three-bedroom rambler located in Wheaton. The home will be substantially renovated to meet the special needs of the future residents.

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

FY 2009

Jubilee Home

Adopted Budget

	Revenue Sources		
Total Expenses	Maryland DHMH Loan	County CDBG Loan	County Housing Initiative Fund
\$910,000	\$375,000	\$520,000	\$15,000

Opportunity Housing Reserve Fund (OHRF)

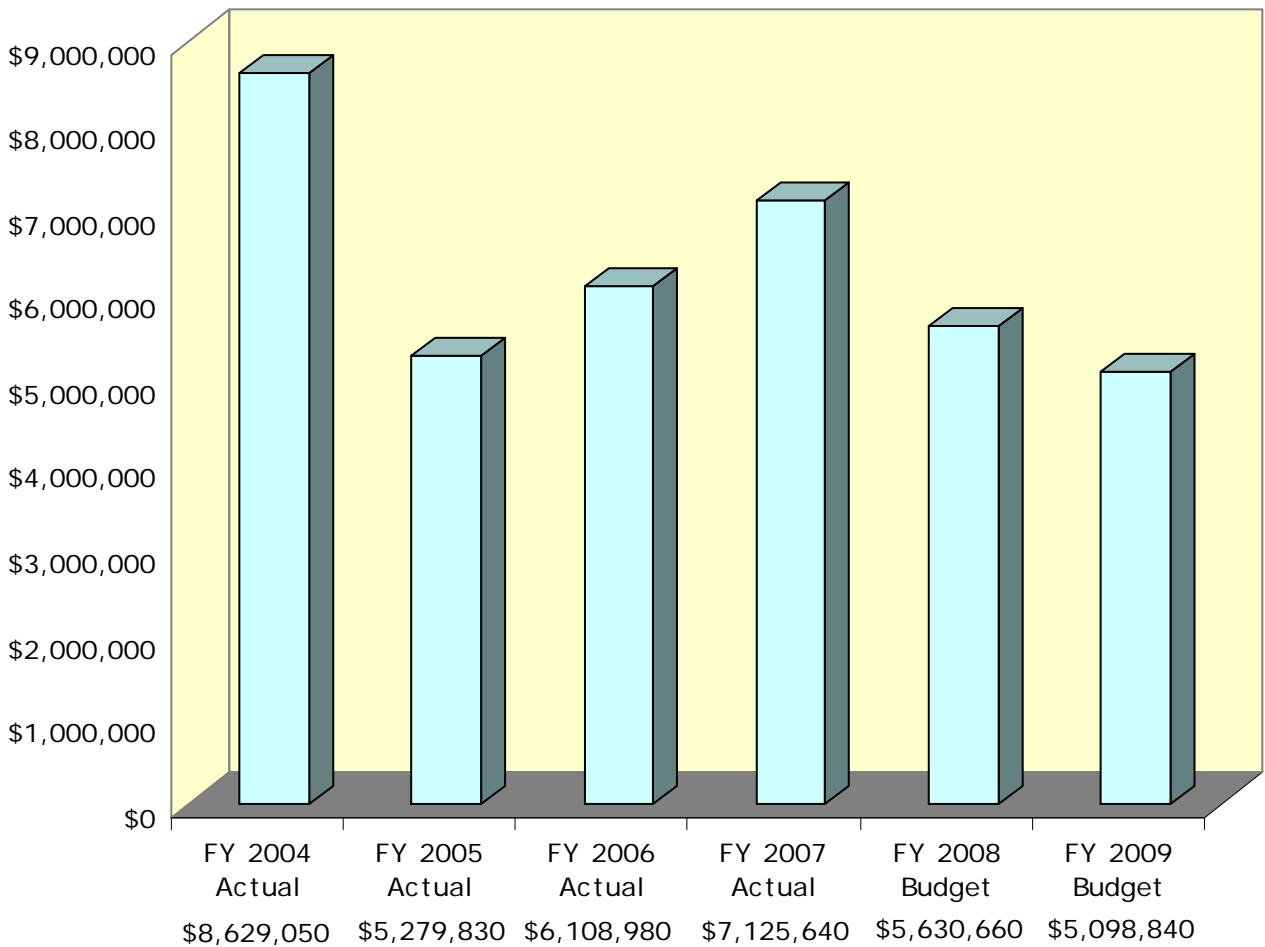
HOC established the OHRF in 1980 initially to address the use of revenues generated from the sale of bonds under the Single Family Mortgage Purchase Program. Today, the OHRF is a repository of proceeds from various HOC activities, whose primary purpose is the production of affordable housing.

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

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

The FY 2009 Adopted Budget projects a net decrease in the OHRF of \$531,820.

OHRF Year-end Balances



Opportunity Housing Reserve Fund (OHRF)

Source of Capital	Total
Cash Balance as of 6/30/07	\$7,125,640
Source of Funds (FY 2008)	
Budgeted Development Fees (60% of Total)	\$360,000
Budgeted Commitment Fees (60% of Total)	\$142,800
Montgomery Arms Loan Payment	\$37,960
Forest Oak Towers Loan Repayment	\$1,000,000
Cost Savings from Chevy Chase Development Budget	\$550,000
Interest Income	\$267,340
SUBTOTAL	\$2,358,100
Source of Funds (FY 2009)	
Budgeted Development Fees (60% of Total)	\$720,000
Budgeted Commitment Fees (60% of Total)	\$318,000
Payment for Loan to fund FY 09 IT & Facilities Capital Budget	\$82,020
SUBTOTAL	\$1,120,020
TOTAL	\$3,478,120
Current Obligations	
Purchase of PH Units	(\$182,320)
MetroPointe Bond Contingency	(\$1,500,000)
Pooks Hill High-Rise Apartment Loan	(\$250,000)
Personnel Expenses (Real Estate Division)	(\$1,295,760)
Loan for Customer Service Centers Start-up Costs	(\$600,000)
Montgomery Consultants	(\$25,000)
SUBTOTAL	(\$3,853,080)
Use of Funds (FY 2009)	
Personnel Expenses (Real Estate Division)	(\$896,840)
Montgomery Consultants	(\$25,000)
Loan to fund FY 09 IT & Facilities Capital Budget	(\$730,000)
SUBTOTAL	(\$1,651,840)
TOTAL	(\$5,504,920)
Projected Cash Balance as of 6/30/09	\$5,098,840

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Personnel Assumptions

Personnel Summary

FY 2009 Cost of Living Adjustment

The General Salary Schedule which is used to determine pay for all Career and Term positions has been adjusted by a 3% Cost of Living Allowance effective July 1, 2008.

Maintenance On-Call

The Weekday On-call Rate is \$25.00 per day (Monday through Friday). The On-Call Rate for Saturdays, Sundays, and holidays is \$35.00 per day.

Multilingual Pay

The Multilingual Pay differential applies to employees in the following job classifications:

- Front Desk Receptionist
- HRS Specialist
- Resident Accounting Specialist
- Occupancy Specialist
- Resident Counselor
- Housing Inspector
- Trades Maintenance Worker
- Scattered Site Manager
- Rental Assistance Specialist

The Multilingual Pay provision provides two skill certification categories: Basic and Advanced. Eligible employees certified with Basic Multilingual Skills will receive a pay differential of \$1.00 per hour. Eligible employees certified with Advanced Multilingual skills will receive a pay differential of \$1.05 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	58.5 cents per mile*
1,001–7,500	65 cents per mile
7,501 and above	75 cents per mile

* The Internal Revenue Service (IRS) sets the standard reimbursement rates for mileage. The current IRS rate for mileage is 58.5 cents per mile. Should IRS increase the reimbursement rate during the fiscal year, HOC will also increase the base mileage rate.

Automobile Insurance Reimbursement

Employees who use their personal vehicles for HOC business and claim work mileage on their personal automobile insurance are eligible for reimbursement for this coverage up to \$650.00.

Automobile Scheduled Maintenance

Employees who use their personal vehicle for HOC business in excess of 7,500 miles during the fiscal year may be reimbursed up to \$1,000 annually for regularly scheduled maintenance.

Meal Allowance

The Meal Allowance rate for FY 2009 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 \$1,375 for FY 2009.

Fitness Reimbursement

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

Pay Grade Schedule—Represented Employees

Annual Salary

Hourly Wages

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

* 20 Years Completed Service and at Maximum of Pay Grade

Pay Grade Schedule—Unrepresented Employees

Annual Salary

Hourly Wages

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

* 20 Years Completed Service and at Maximum of Pay Grade

Pay Grade Schedule—Executive Leadership Service

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

Personnel Summary

The FY 2009 budget includes an increase of 7.60 work years.

Status Change from Current Complement – Net Decrease of 1.9 work years

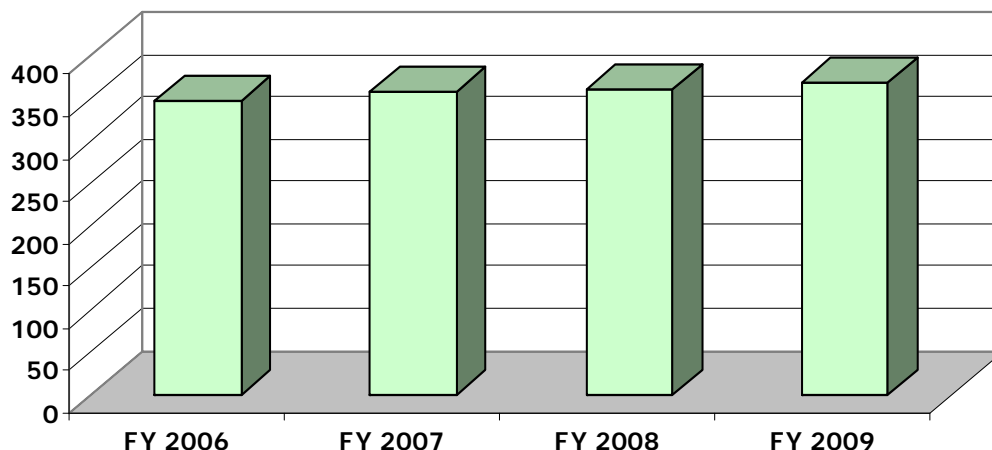
- Decrease of 1 work year in Executive Division
- Decrease of 1 work year in Real Estate Division
- Increase of .10 work years in Resident Services Division

New Positions for FY'09 – Increase of 9.5 work years

- 1.0 Program Assistant in Executive Division
- 1.0 Staff Attorney in Executive Division
- 0.5 Managing Director in Executive Division

- 1.0 File Clerk in Housing Resources Division
- 1.0 Housing Specialist I in Housing Resources Division
- 1.0 Housing Specialist I in Housing Resources Division
- 1.0 Housing Specialist II in Housing Resources Division
- 1.0 Administrative Aide in Resident Services Division
- 1.0 Resident Counselor in Resident Services Division
- 1.0 Resident Counselor in Resident Services Division

Divisions	Actual	Actual	Amended	Adopted	%
Full Time Equivalent (FTE)	FY 2006	FY 2007	FY 2008	FY 2009	Change
Executive	38.60	41.00	40.00	50.00	25.00%
Finance	43.00	42.00	42.00	38.00	-9.52%
Housing Management	124.35	125.35	126.60	127.60	0.79%
Housing Resources	0.00	0.00	0.00	53.60	0.00%
Mortgage Finance	13.50	13.50	14.50	14.50	0.00%
Real Estate	10.00	12.00	10.00	9.00	-10.00%
Rental Assistance	40.00	42.00	42.00	0.00	-100.00%
Resident Services	77.40	80.50	84.60	74.60	-11.82%
Total	346.85	356.35	359.70	367.30	2.11%



Executive Division

Position Title	Status	Grade	Total
Executive Director	Full Time	A	1
Chief of Staff	Full Time	EX-02	1
Managing Director of HO & C	Part Time	EX-02H	0.5
Director of Information & Technology	Full Time	EX-01	1
Director of Federal Programs	Full Time	EX-01	1
Director of Public Affairs	Full Time	EX-01	1
Director of Human Resources	Full Time	31	1
Assistant Director of Federal Programs	Full Time	29	1
Internal Auditor	Full Time	28	1
Labor Relations Manager	Full Time	28	1
Facilities Manager	Full Time	27	1
Network Manager	Full Time	26	1
Applications Development Supervisor	Full Time	25	1
Assistant Public Affairs Officer	Full Time Term	25	1
Compliance Manager	Full Time	25	1
Human Resources Coordinator	Full Time	24	2
Senior Programmer/Analyst	Full Time	24	2
Special Assistant to the Commission	Full Time	22	1
Federal Programs Analyst	Full Time	22	1
Programmer/Analyst	Full Time	22	1
Telecommunications Specialist	Full Time	22	1
Buyer II	Full Time	21	1
Compliance Inspector	Full Time	21	3
Human Resources Specialist II	Full Time	21	1
Management Analyst I	Full Time	21	2
Network Technician	Full Time	21	1
Payroll Specialist	Full Time	21	1
Public Information Specialist	Full Time	21	1
Webmaster	Full Time	21	1
Administrative Assistant to the Executive Director	Full Time	20	1
Facilities Maintenance Specialist	Full Time	20	1
Senior Technician	Full Time	20	1
Administrative Assistant	Full Time	19	1
Junior Programmer/Analyst	Full Time	19	1
Help Desk Analyst	Full Time	16	1
Human Resources Assistant	Full Time	16	1
Payroll Assistant	Full Time	16	1
Program Assistant II	Full Time	15	1
Program Assistant II	Full Time Term	15	1
Records Management Clerk II	Full Time	13	1
Mail & Supply Technician	Full Time	12	2
Receptionist	Full Time	11	1
Facilities Assistant	Full Time	10	1
Administrative Aide III	Part Time	13H	0.5
Staff Attorney	Full Time	TBD	1
Total (Percentage of Total Work Years)			50 13.61%

Finance Division

Position Title	Status	Grade	Total
Chief Financial Officer	Full Time	EX-02	1
Assistant Chief Financial Officer / Controller	Full Time	31	1
Budget Officer	Full Time	29	1
Accounting Manager	Full Time	28	2
Procurement Officer	Full Time	27	1
Accounting Supervisor	Full Time	25	4
Assistant Budget Officer	Full Time	24	1
Accountant II	Full Time	21	11
Cash/Investment Manager	Full Time	21	1
Disbursement Supervisor	Full Time	21	1
Administrative Assistant	Full Time	19	1
Accountant I	Full Time	19	3
Buyer II	Full Time	19	1
Program Specialist	Full Time	18	1
Buyer I	Full Time	17	1
Disbursement Specialist	Full Time	17	1
Accounting Clerk I	Full Time	14	4
Office Assistant III	Full Time	14	1
Office Assistant II	Full Time	12	1
Total (Percentage of Total Work Years)			38 10.35%

Housing Management Division

Position Title	Status	Grade	Total
Director of Housing Management	Full Time	EX-02	1
Asst Director of Asset Management & Modernization	Full Time	29	1
Asst Director of Property Management/Operations	Full Time	29	1
Manager of Modernization	Full Time	28	1
Asset Manager	Full Time	27	2
Program Oversight Manager	Full Time	27	1
Regional Manager	Full Time	27	4
Budget & Operations Manager	Full Time	25	1
Project Manager	Full Time	25	2
Assistant Property Manager	Full Time	24	1
Management/Compliance Specialist	Full Time	24	1
Maintenance Specialist	Full Time	23	1
Scattered Sites Operations Manager	Full Time	23	1
Lead Occupancy Specialist	Full Time	22	1
Property Manager	Full Time	22	17
Security Coordinator	Full Time Term	22	1
Lead Inspector	Full Time	21	1
Program Specialist II	Full Time	21	1
Senior Office Manager	Full Time	21	1
Total Quality Manager	Full Time	21	3
Administrative Assistant	Full Time	19	1
Leasing/Occupancy Specialist	Full Time	19	1
Occupancy Specialist II	Full Time	19	1
Property Inspector	Full Time	19	1
Lead Trades Maintenance Worker	Full Time	19	4
Program Specialist I	Full Time	18	1
Assistant Site Manager	Full Time	17	4
Housing Inspector	Full Time	17	7
Occupancy Specialist I	Full Time	17	1
Trades Maintenance Worker II	Full Time	17	32
Inventory & Control Specialist	Full Time	16	1
Program Assistant III	Full Time	16	3
Trades Maintenance Worker I	Full Time	15	6
Program Assistant I	Full Time	14	5
Office Assistant III	Part Time	14H	0.6
Administrative Aide III	Full Time	13	1
Building Services Worker	Full Time	13	1
Inventory & Control Assistant	Full Time	12	1
Facilities Assistant	Full Time	9	1
Custodian	Full Time	8	12
Total (Percentage of Total Work Years)			127.6 34.74%

Housing Resources Division

Position Title	Status	Grade	Total
Director of Housing Resources	Full Time	EX-01	1
Assistant Director of Housing Resources	Full Time	29	1
Customer Service Center Director	Full Time	25	2
Operations & Procedures Manager	Full Time	25	1
Customer Service Manager	Full Time	22	3
Financial Analyst	Full Time	22	1
Management Analyst I	Full Time	21	1
Trainer	Full Time	21	1
Resident Counselor III	Full Time	20	7
Resident Counselor III	Part Time	20H	0.6
Administrative Assistant	Full Time	19	1
Housing Specialist II	Full Time	19	13
Resident Accounting Specialist II	Full Time	19	1
Rent Market Analyst	Full Time	18	1
Housing Specialist I	Full Time	17	6
Resident Accounting Specialist I	Full Time	17	1
Program Assistant III	Full Time	16	1
Resident Accounting Clerk	Full Time	15	2
Program Assistant I	Full Time	14	5
Administrative Aide III	Full Time	13	2
Records Management Clerk II	Full Time	13	1
File Clerk	Full Time	10	1
Total (Percentage of Total Work Years)			53.6 14.59%

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
Program Specialist I	Full Time	18	2
Homeownership Specialist	Part Time	19H	0.5
Office Manager I	Full Time	16	1
Total (Percentage of Total Work Years)			14.5 3.95%

Real Estate Division

Position Title	Status	Grade	Total
Director of Real Estate	Full Time	EX-02	1
Construction Manager	Full Time	30	1
Housing Acquisition Manager	Full Time	28	3
Construction Superintendent	Full Time Term	26	1
Senior Financial Analyst	Full Time	26	1
Program Specialist	Full Time	21	1
Administrative Assistant	Full Time	19	1
Total (Percentage of Total Work Years)			9 2.45%

Resident Services Division

Position Title	Status	Grade	Total	
Director of Resident Services	Full Time	EX-01	1	
Assistant Director of Resident Services	Full Time	29	1	
Resident Service Supervisor II	Full Time	27	1	
Resident Service Supervisor I	Full Time	26	1	
Program Coordinator	Full Time	25	1	
Grants Coordinator	Full Time	24	1	
Resident Services Housing Programs Coordinator	Full Time	24	1	
Special Projects/Volunteer Coordinator	Full Time	24	1	
Family Resource Center Director	Full Time	22	4	
Management Analyst II	Full Time	22	1	
Program Coordinator	Full Time Term	22	1	
Program Specialist IIA	Full Time	22	2	
Program Specialist IIA	Full Time Term	22	1	
Resident Employment Coordinator	Full Time	22	1	
Management Analyst I	Full Time Term	21	1	
Program Specialist	Full Time Term	20	2	
Resident Counselor III	Full Time	20	17	
Resident Counselor III	Full Time Term	20	16	
Resident Counselor III	Part Time	20H	2.5	
Resident Counselor III	Part Time Term	20H	1	
Administrative Assistant	Full Time	19	1	
Emergency Assistance Specialist	Full Time Term	19	3	
Emergency Assistance Specialist	Part Time Term	19H	0.5	
Housing Specialist	Full Time Term	18	1	
Resource Specialist	Full Time Term	17	1	
Intake Specialist	Full Time Term	16	1	
Office Manager I	Full Time	16	1	
Administrative Aide III	Full Time	13	2	
Administrative Aide III	Part Time	13H	0.5	
Community Aide	Full Time Term	11	5	
Community Aide	Part Time Term	11H	1.1	
Total (Percentage of Total Work Years)			74.6	20.31%
GRAND TOTAL			367.30	100.00%

Program History

Legislative History

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

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

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

- Acquire, own, lease and operate housing,
- Construct or renovate housing,
- Borrow money, accept grants, and obtain other financial assistance from any public or private source for its housing activities,

and arrange for social services, including resident services and day care.

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

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

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

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

limit to \$50 million.

Other County Laws Affecting HOC

Moderately Priced Dwelling Units (MPDUs):

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

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

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

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

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

HOC Through the Years

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

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

The 1970s

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

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

The 1980s

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

The 1990s

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

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

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

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

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

The Current Outlook

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

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

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

Yearly appropriations for the HCV Program in particular have been under greater scrutiny. The HCV Program has suffered through significant funding cuts and HOC can no longer depend on public money alone to meet the needs of the community. Facing this fact has put the Agency on a new highway—one which acknowledges new realities. The new assumptions under which HOC operates include the following:

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

Current Housing Environment in Montgomery County

Montgomery County is the largest County in Maryland with an estimated population of 953,000 or 350,000 households (2006 figures) consisting of 56% Caucasian and 44% cultural minorities. It is located on 495 square miles of land next to Washington, DC, and is one of several Maryland and Virginia counties surrounding the District which make up the Washington DC metropolitan area for statistical reporting. It is home to almost twenty percent of the Washington, DC area's households, second only to Fairfax County, Virginia. According to the 2003 Census comparison of the twenty largest metropolitan areas, the Washington metropolitan area is the eighth largest area and has the highest median income of areas compared.

Other demographic items of note are:

- Montgomery County's proportion of households in Maryland is expected to grow from 16.4% in 2005 to 16.6% in 2025.
- Approximately 42% of Maryland's foreign born population resides in Montgomery County.
- Between 2005 and 2025, Montgomery County will absorb 17% of the State's household growth.
- 42% of the County's households live in multi-family properties.
- 82% of the housing allowed by Montgomery County plans is already built.
- The median sales price for a single family home in Montgomery County reached a new high of \$507,340 in 2005 and dropped to \$439,000 in 2006.
- Time on the market before a house is sold averages 50 days.
- 40% of Montgomery County residents work outside the County; 77% of employed residents commute by car.
- Multi-family units remain the largest share of home construction.

- Apartment rents are continuing their upward trend from an average of \$1,212 in 2006 to an average of \$1,281 in 2007.
- Average apartment rents in 2006:
 - Efficiency \$1,076
 - 1-Bedroom \$1,151
 - 2-Bedroom \$1,333
 - 3-Bedroom \$1,646
- 25.7% households are renter occupied.
- The average household size was 2.66 in 2005.
- 5.4% of the total population lives below the Federal Poverty Income guidelines of \$16,895 for a household of four.
- 40.7% of renters pay more than 30% of their income on housing costs.
- 14.1% of homeowners pay more than 30% of their income on housing costs.
- The median age in the County is 36.9.
- 11.2% of the population is 65 or older.
- The Washington area median income for 2008 was \$99,000 for a household of four.
- The 2006 preliminary median income for Montgomery County was \$87,500 for a household of four.
- The County's estimated labor force for 2007 is 521,365 with an unemployment rate of 2.8%.

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

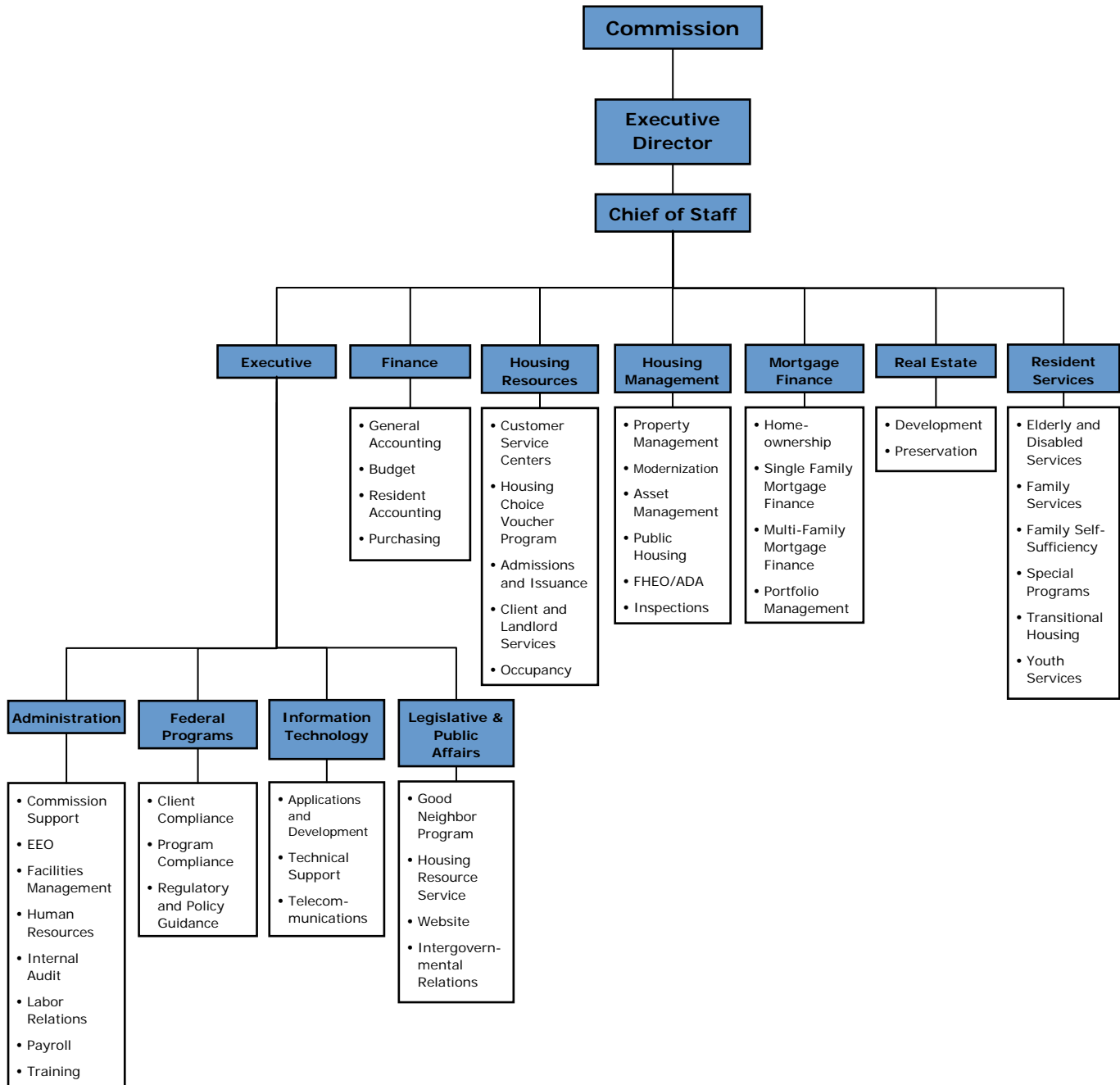
* Maryland Department of Labor, Licensing and Regulation

Description of Current Programs

HOC administers a wide variety of housing programs, including:

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

Housing Opportunities Commission Functional Organization Chart



Organizational Structure and Staff

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

Commissioners appoint an Executive Director to operate the Agency. HOC is organized into five operational units and the Executive and Finance Division. (See the Division Summaries from pages 2-3 through 2-42.)

HOC's Annual Management Process

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

Strategic Planning

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

Budget Preparation

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

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

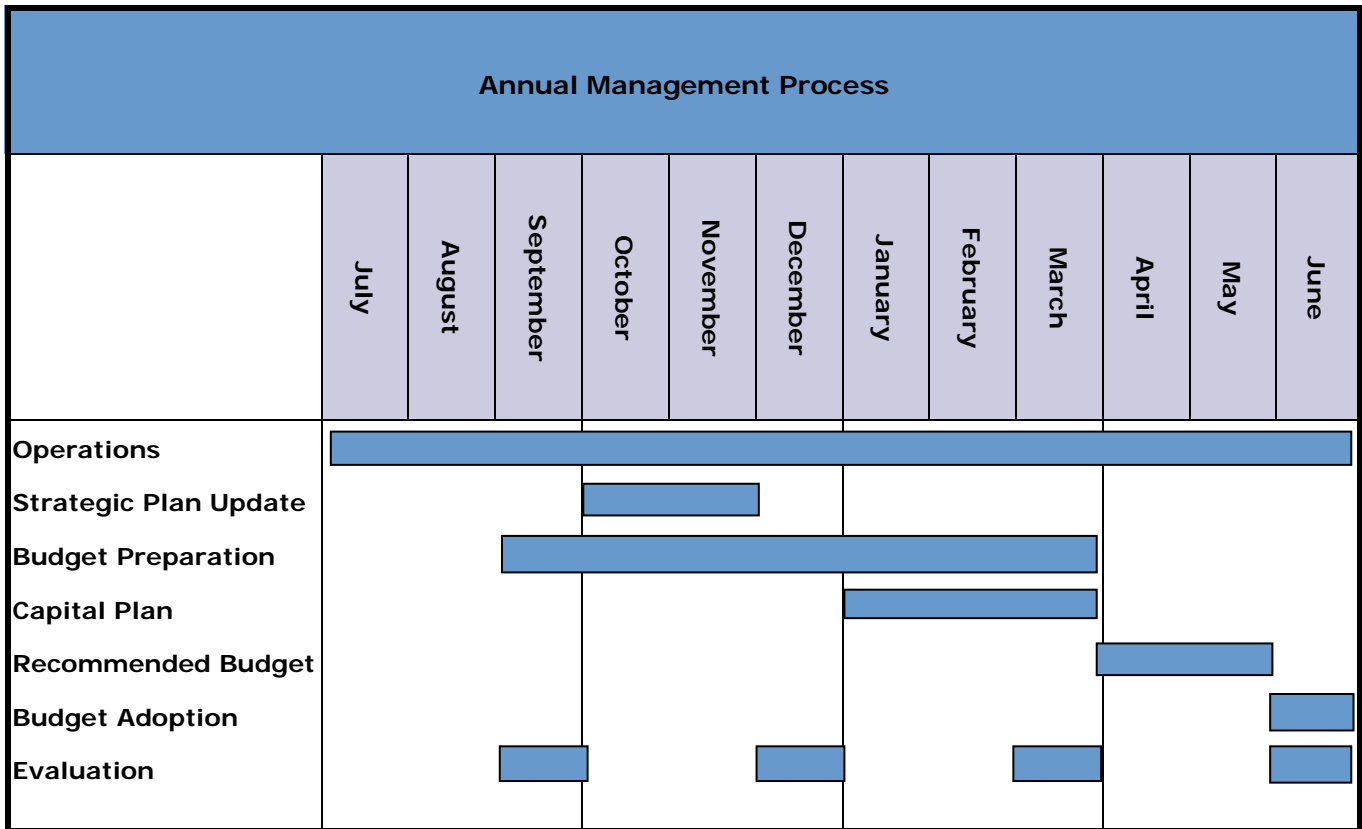
Operations

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

Evaluation

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

Annual Management Process Chart



Units Summary

Adopted Budget
June 4, 2008

Summary

Housing Type	Actual As of 6/30/2007	Estimate As of 6/30/2008	Budget As of 6/30/2009
Public Housing Rental			
HOC Managed	1,539	1,544	1,544
Public Housing HomeOwnership			
HOC Managed	11	11	11
Opportunity Housing & Development Corps.			
HOC Managed	990	1,110	1,133
Privately Managed	1,863	1,939	2,112
Units Owned by HOC	4,403	4,604	4,800
Managed Properties			
HOC Managed	843	712	702
Contract Managed	1,306	1,405	1,405
Subtotal	2,149	2,117	2,107
Units Administered			
Rental Assistance Programs	5,674	5,754	5,889
Transitional Housing Programs	165	165	165
Special Programs	402	430	387
Subtotal	6,241	6,349	6,441
Units Managed or Administered	8,390	8,466	8,548
TOTAL - ALL UNITS	12,793	13,070	13,348
Total Units Managed by HOC	3,383	3,377	3,390
Total Units Contract Managed	3,169	3,344	3,517
Total Units Administered by HOC	6,241	6,349	6,441

Part A: Units Owned by HOC

Property		Actual	Estimate	Budget
		As of	As of	As of
No.	Property Name	6/30/2007	6/30/2008	6/30/2009
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)	67	71	71
511-430	Towne Centre Place	49	49	49
511-432	Sandy Spring	55	55	55
Subtotal - Family		275	279	279
Scattered Units				
511-001	Scattered Site Central	0	134	134
511-002	Scattered Site East	0	108	108
511-003	Scattered Site Gaithersburg	0	137	137
511-004	Scattered Site North	0	139	139
511-005	Scattered Site West	0	149	149
511-422	Ken Gar	19	19	19
511-426	Parkway Woods	24	24	24
511-424	Scattered MPDUs	666	0	0
Subtotal - Scattered		709	710	710
Subtotal-Public Housing Rental		1,539	1,544	1,544
PUBLIC HOUSING HOMEOWNERSHIP				
Family Communities				
524-411	Tobytown	11	11	11
Subtotal - Family		11	11	11
Subtotal-Homeownership		11	11	11
Total Public Housing Units (all HOC Managed)		1,550	1,555	1,555

Part A: Units Owned by HOC continued

Property No.	Property Name	Actual As of 6/30/2007	Estimate As of 6/30/2008	Budget As of 6/30/2009
OPPORTUNITY HOUSING & DEVELOPMENT CORPORATIONS				
Family Communities - HOC Managed				
412-457	Tanglewood	81	81	81
465-480	Magruder's Discovery	134	134	134
469-471	Chelsea Towers	21	21	21
499-200	Dale Drive	0	0	10
913-455	Sligo Hills (Dev. Corp.)	50	50	50
915-458	Pomander Court (Dev. Corp.)	24	24	24
919-200	Paddington Square (Dev. Corp.)	166	166	166
Subtotal - Family HOC Managed		476	476	486
Scattered Units - HOC Managed				
452-469	McHome	40	36	36
454-451	Holiday Park	20	20	20
455-714	MHLP I	32	30	30
457-716	MHLP III	0	44	44
458-717	MHLP IV	0	60	60
459-716	MHLP V	0	27	27
461-464	Paint Branch	14	14	14
462-466	McKendree	28	23	23
463-467	MPDU I	64	64	64
470-450	State Rental Combined	96	196	196
476-493	State Rental VI	40	0	0
477-496	State Rental VII	60	0	0
913-484	MPDU III (Dev. Corp.)	23	23	23
915-468	MPDU II (Dev. Corp.)	59	59	59
487-001	MPDU 2004	38	38	38
499-300	MPDU 2007	0	0	13
Subtotal - Scattered HOC Managed		514	634	647
Subtotal-HOC Managed		990	1,110	1,133
Family Communities - Contract Managed				
414-460	Fairfax Court	18	18	18
417-477	Pooks Hill High-Rise	189	189	189
418-476	Pooks Hill Mid-Rise	50	50	50
427-490	Greenhills	78	78	78
433-487	Strathmore Court @ White Flint	151	151	151
435-489	Westwood	212	212	212
441-485	Brookside Glen (The Glen)	90	90	90
442-473	Diamond Square	124	124	124
912-479	Alexander House (Dev. Corp.)	311	311	311
914-488	The Metropolitan (Dev. Corp.)	216	216	216
915-472	Timberlawn (Dev. Corp.)	107	107	107
917-478	Montgomery Arms (Dev. Corp.)	129	129	129
918-100	MetroPointe	0	0	173
920-300	Chevy Chase Lake (Dev. Corp.)	68	68	68
920-400	The Barclay (Dev. Corp.)	0	76	76
Subtotal - Family Contract Managed		1,743	1,819	1,992
Elderly Communities - Contract Managed				
911-475	The Oaks @ Four Corners (Dev. Corp.)	120	120	120
Subtotal - Elderly Contract Managed		120	120	120
Subtotal-Contract Managed		1,863	1,939	2,112
Total Opportunity Housing and Development Corporations		2,853	3,049	3,245

Part B: Units Managed and Administered by HOC

Property No.	Property Name	Actual As of 6/30/2007	Estimate As of 6/30/2008	Budget As of 6/30/2009
MANAGED PROPERTIES				
236 Elderly Communities - HOC Managed				
871-701	Bauer Park	142	142	142
872-703	Town Center Apts.	112	112	112
Subtotal - Elderly HOC Managed		254	254	254
Other Family Communities - HOC Managed				
833-741	Manchester Manor Apts. LP	53	53	53
874-705	Camp Hill Square (236 property)	51	51	51
881-730	Jesup Blair (County owned)	10	10	0
Subtotal - Family HOC Managed		114	114	104
Scattered Units - HOC Managed				
812-715	MHLP II	54	54	54
813-716	MHLP III	44	0	0
814-717	MHLP IV	60	0	0
815-718	MHLP V	27	0	0
816-719	MHLP VI-A	15	15	15
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		475	344	344
Subtotal-HOC Managed		843	712	702
236 Elderly Communities - Contract Managed				
872-703	Leafy House	181	181	181
Subtotal - Elderly Contract Managed		181	181	181
Family Communities - Contract Managed				
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	157	81	81
840-747	Spring Garden One Associates LP	83	83	83
841-748	Ambassador One Associates LP	162	162	162
842-749	Forest Oak Towers LP	0	175	175
Subtotal - Family Contract Managed		1,125	1,224	1,224
Subtotal Contract Managed Properties		1,306	1,405	1,405
Total Managed Properties		2,149	2,117	2,107

Part B: Units Managed and Administered by HOC continued

Property Name	Actual As of 6/30/2007	Estimate As of 6/30/2008	Budget As of 6/30/2009
UNITS ADMINISTERED			
Rental Assistance Programs			
Vouchers	5,455	5,517	5,600
Portables	79	200	250
Mod. Rehab.	29	29	29
New Construction	104	0	0
Homeownership Vouchers	7	8	10
Subtotal-Rental Assistance	5,674	5,754	5,889
Transitional Housing Programs			
McKinney III	10	10	10
McKinney VI	40	0	0
McKinney VIII	20	60	60
Turnkey	11	11	11
McKinney IX	20	0	0
McKinney X	25	70	70
McKinney XI	25	0	0
McKinney XII	14	14	14
Subtotal-Transitional Housing	165	165	165
Specialized Programs			
State RAP	25	25	25
Shelter Plus Care	47	47	47
Shelter Plus Care - New Neighbors	17	17	17
SHRAP	0	28	28
Housing Counselor Programs	70	70	70
Rent Supplement Programs	190	190	147
Master Lease Properties	53	53	53
Subtotal -Specialized Programs	402	430	387
Total Administered Properties	6,241	6,349	6,441

Part C: HOC Financing

PRIVATELY OWNED UNITS FINANCED BY THE HOC	Actual	Projected	Budget
PROPERTY NAME	As of 6/30/2007	As of 6/30/2008	As of 6/30/2009
Private Bond-Financed Properties			
1 Amherst Square	125	125	125
2 Archstone Gaithersburg (Oakwood)	784	784	784
3 Aston Woods	261	261	261
4 Avalon Knoll	300	300	300
5 Blair Park	52	52	52
6 Burnt Mills (AGP)	136	136	136
7 Burnt Mills Phase II	40	40	40
8 Byron House	32	32	32
9 Canterbury	544	544	544
10 Charter House	212	212	212
11 Clopper Mill Manor	102	102	102
12 Covenant Village	89	89	89
13 Croydon Manor	96	96	96
14 Drings Reach	104	104	104
15 Falkland Chase	450	450	450
16 Fox Run (AGP)	218	218	218
17 Oakfield Apartments	371	371	371
18 Gramax	180	180	180
19 Lenox Park	406	406	406
20 Montgomery Paint Branch II	118	118	118
21 Montgomery Paint Branch III	168	168	168
22 Oak Mill II	192	192	192
23 Olney Manor	105	105	105
24 Randolph Manor	83	83	83
25 Ring House	248	248	248
26 Rockville Housing Enterprises	56	56	56
27 Silver Spring House	80	80	80
28 The Bennington	223	223	223
29 Somerset Apartments	99	99	99
30 Streamside East (FW)	0	0	0
31 Streamside West (GV)	0	0	0
32 The Grand	550	550	550
33 The Place	0	0	0
34 University Manor	136	136	136
35 Windsor Court	458	458	458
PRIVATE SUBTOTAL	7,018	7,018	7,018

Part D: HOC Financing

NUMBER OF SINGLE FAMILY LOANS	Actual As of 6/30/2007	Projected As of 6/30/2008	Budget As of 6/30/2009
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HALF LOANS

Number of New Loans

First Trusts	4	4	3
Closing Cost	5	5	4

	Actual As of 6/30/2007	Projected As of 6/30/2008	Budget As of 6/30/2009
--	------------------------------	---------------------------------	------------------------------

CLOSING COST LOANS

Number of New Loans	10	20	25
Number of Loans Outstanding	82	85	100

	Actual As of 6/30/2007	Projected As of 6/30/2008	Budget As of 6/30/2009
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MORTGAGE PURCHASE PROGRAM

Number of New Loans	275	200	200
Number of Loans Outstanding	1,247	1,400	1,550

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General Financial Information

Financial Policies

Budget Policy

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

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

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

Internal Control

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

Investment Policy

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

accounts or securities consistent with governing laws and regulations.

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

Investment of HOC funds are limited to:

1. Obligations for which the United States has pledged its full faith and credit for payment of principal and interest.
2. Obligations that a Federal agency issues in accordance with an act of Congress.
3. Investments or deposits of any type that are insured by the Federal government as to principal and interest.
4. Repurchase agreements with banking institutions that maintain the highest short term deposit rating from Standard & Poor's (A-1) and/or Moody's (P-1) or a long term deposit rating no lower than AA from either Moody's or Standard & Poor's.
 - a. Repurchase agreements must be collateralized by one of the following:
 - U.S. government obligations backed by the full faith and credit of the U.S. Government, or
 - Federal agency obligations backed by the full faith and credit of the U.S. Government.
 - b. Value of the underlying repurchase collateral must be equal to or greater than 102% of the principal and interest amount of the investment.
 - c. Prior to negotiating repurchase trades with any financial institution, a repurchase agreement contract mutually acceptable to both HOC and the financial institutions must be executed.
 - d. Collateral must be held by a third party 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 "Received of Petty Cash" must be signed by a Supervisor/Department Head that has Purchase Requisition signing authority for the unit. Forms without a proper authorized signature will not be accepted and no cash will be advanced.

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

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

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

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

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

No single item purchased through the Petty Cash Fund may cost more than \$50, unless an

Financial Policies cont.

exception is approved, in advance, by the Chief Financial Officer or the Controller.

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

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

Procurement Policy

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

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

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

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

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

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

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

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

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

Rental Income Collection Policy

The Resident Accounting Office accepts personal checks, money orders, certified checks, and County government checks as payment for rent. No cash is accepted or handled by staff. Rent payments are collected via mail, direct payment at the window, through the secured after-hours drop-box in

front of the HOC building, or through the secured drop-box at East Deer Park (EDP). The EDP drop-box is only accessible during business hours. The EDP 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

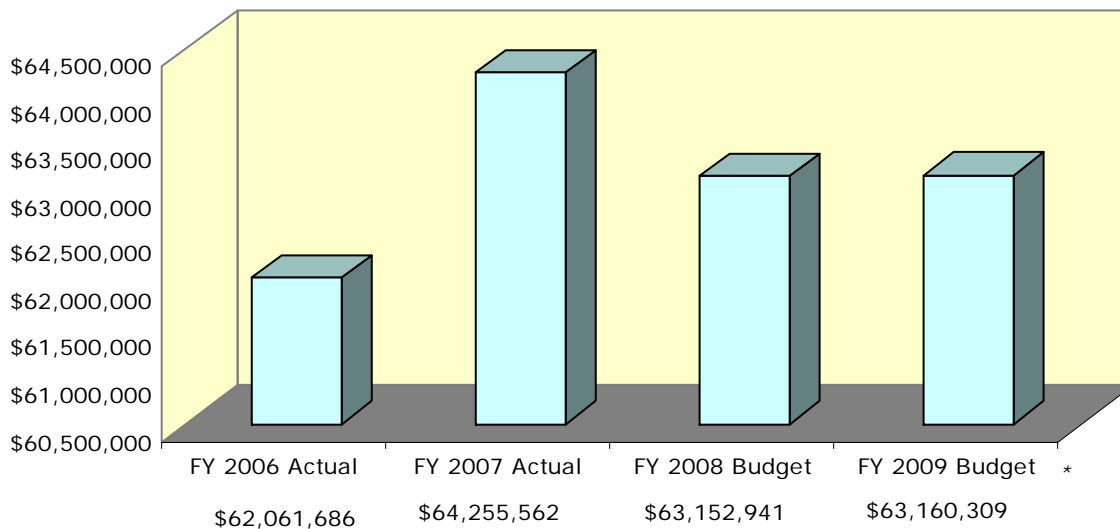
Federal Funds

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

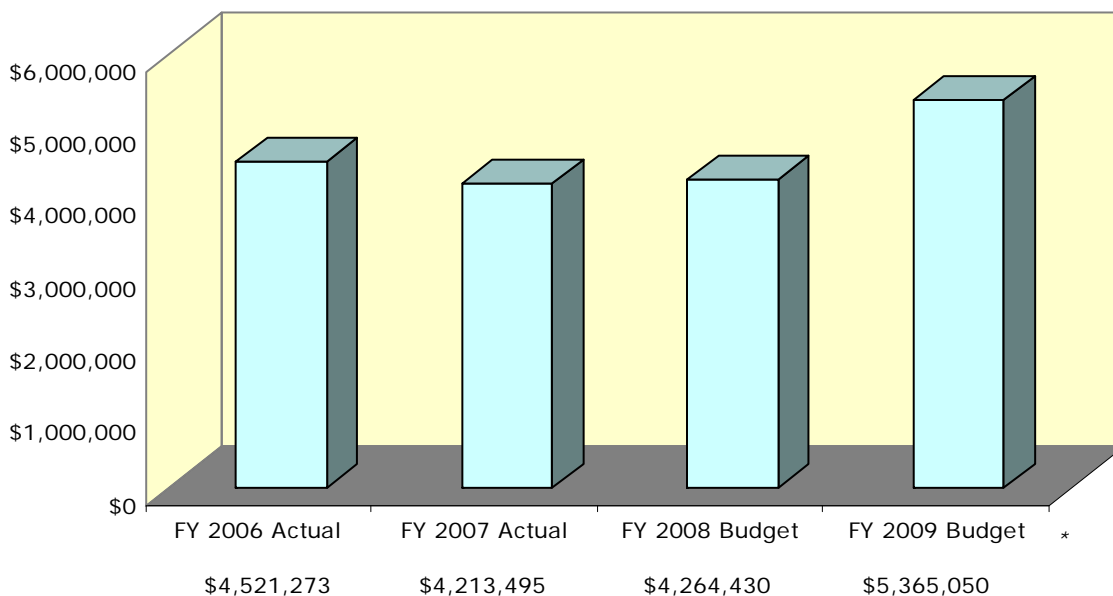
gross household income below 50% of the area median income. Rent subsidy certificates are held by program participants who choose rental units in the private market, provided that the rent is less than a maximum Fair Market Rent (FMR) established by HUD. The program requires that HCV recipients contribute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

Housing Assistance Payments (HAP)



**Represents 32.3% of Revenues.*

HCV Administrative Fees



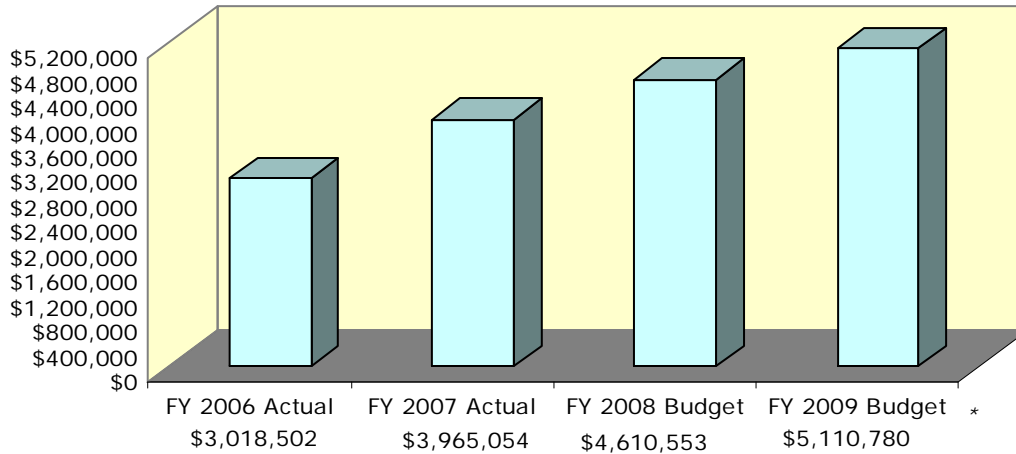
**Represents 2.8% of Revenues.*

Public Housing Operating Subsidy

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

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

Public Housing Operating Subsidy



**Represents 2.6% of Revenues.*

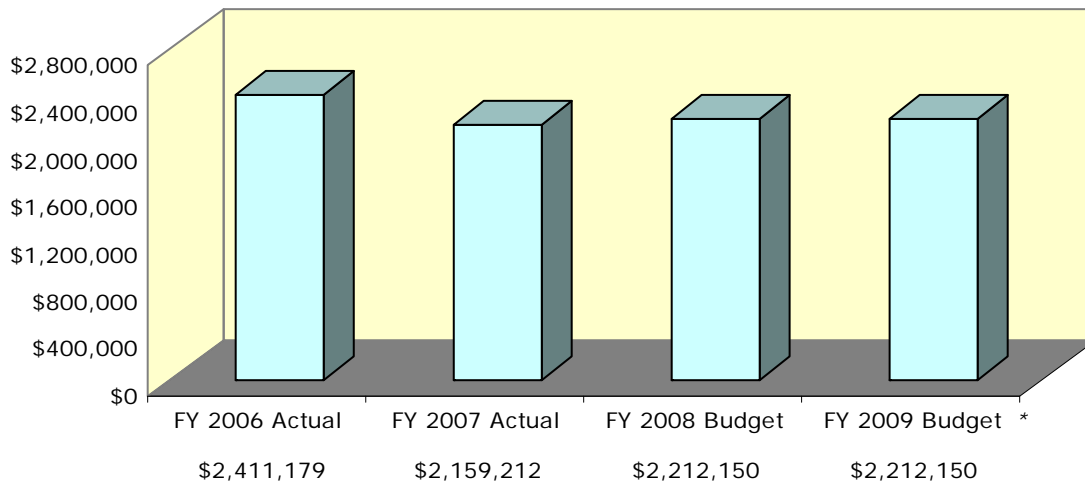
The FY 2008 budget is based on 83.4% funding rate from HUD.

Capital Fund Program (CFP)

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

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

Capital Fund Program



**Represents 1.1% of Revenues.*

The FY 2009 capital budget includes an estimated award of \$2.2 million from the Capital Fund Program.

McKinney Funds

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

Other HUD Grants

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

State Funds

State Rental Allowance Payment (RAP) Program

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

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

The FY 2009 budget reflects a full year's operation for this program.

Congregate Housing Services Program

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

County Funds

County Operating Grant

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

The FY 2009 budget required HOC to continue funding personnel and operating expenses previously funded with county dollars.

Montgomery Housing Initiative Fund (HIF)

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

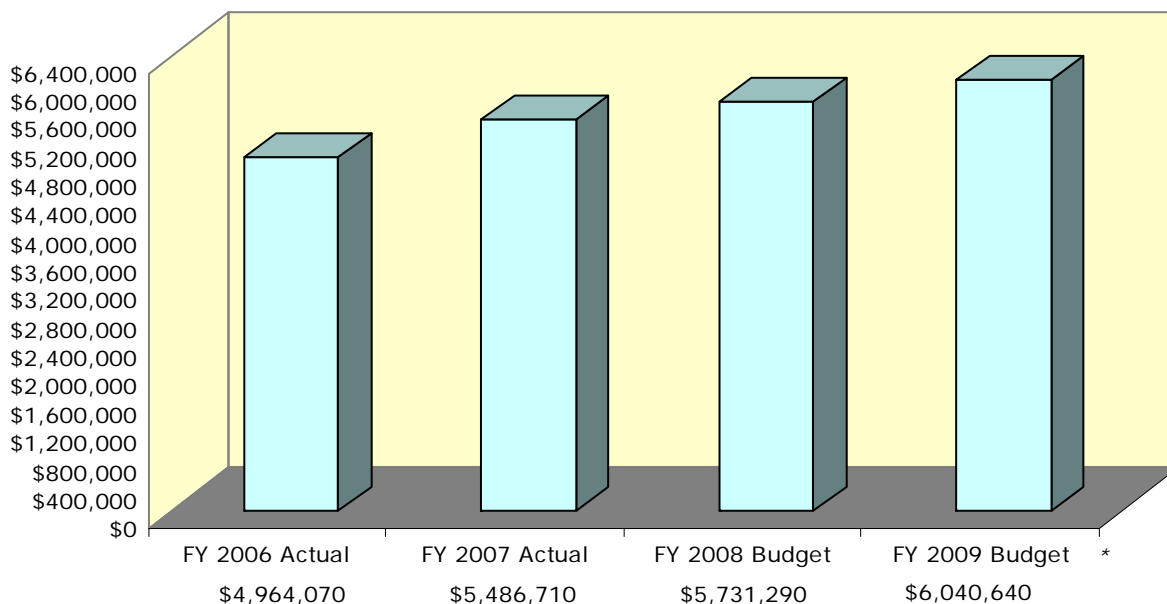
from the supply of affordable housing; and/or participate in mixed-use housing developments that will include affordable housing. HOC requests funds from the HIF on a specific basis.

County Revolving Funds

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

As of December 31, 2007, HOC has \$13.3 million in outstanding loans, which equals 78% of total authority.

County Operating Grant



**Represents 3.1% of Revenues.*

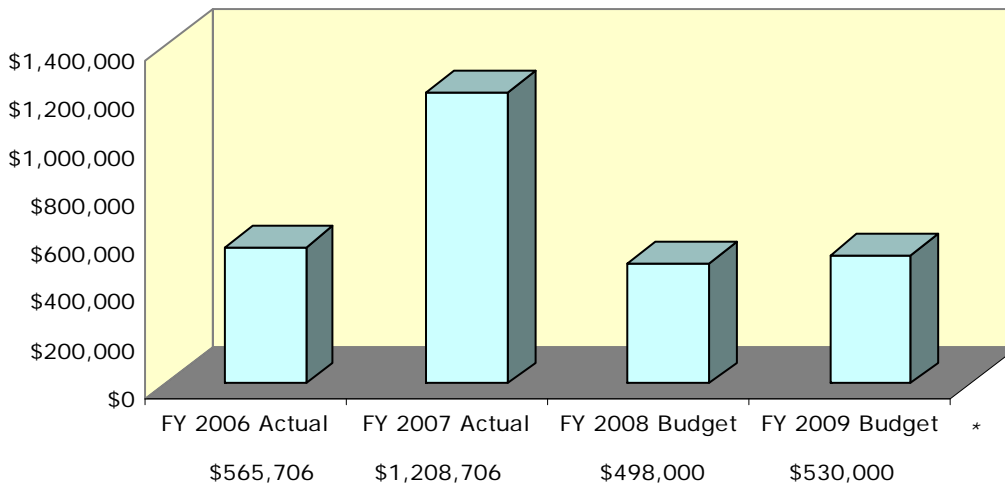
Mortgage Finance Activities

Multi-Family Commitment Fees

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

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

Commitment Fees



*Represents 0.3% of Revenues.

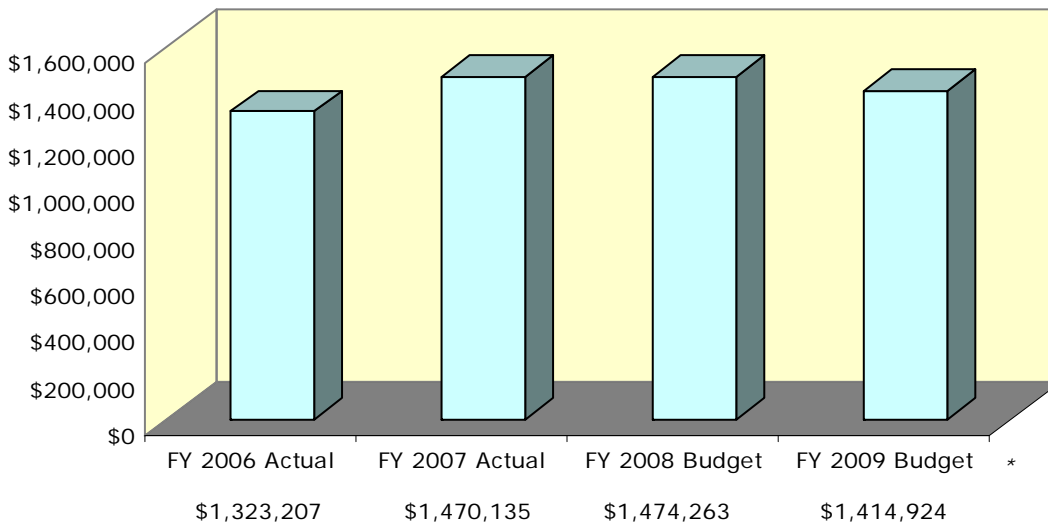
In FY 2009, 40% of all commitment fees collected will be used to support the Agency's operations. The other 60% of the fees will go to the Opportunity Housing Reserve Fund (OHRF) to fund future affordable housing development.

Multi-Family Loan Management Fees

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

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

Loan Management Fees



*Represents 0.7% of Revenues.

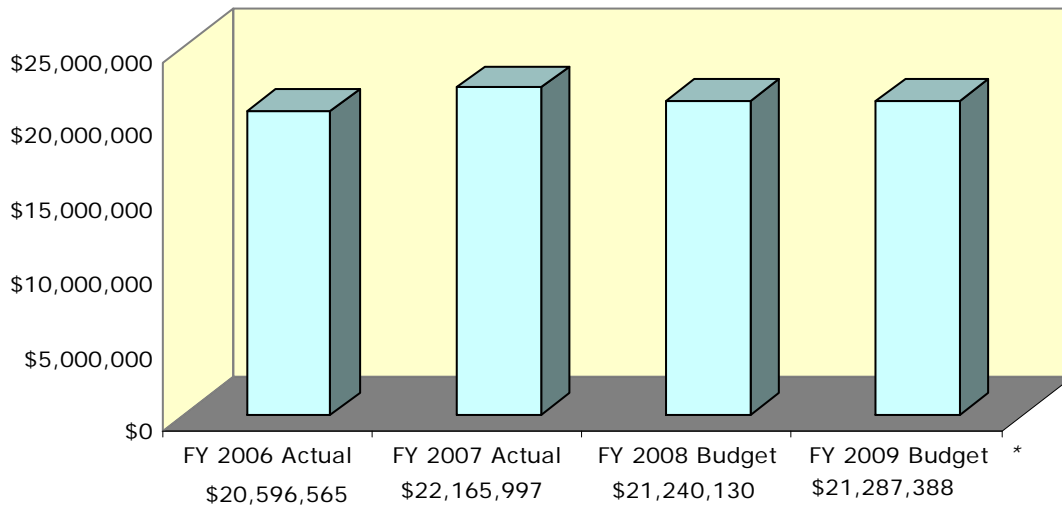
Multi-Family Loan Management Fees have been a steady source of income for the Agency.

Mortgage Interest Income

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

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

Mortgage Interest Income



*Represents 10.9% 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 controlled by the trustee. The Commission approves operating costs for administering these programs as part of the operating budget for certain functions in the Mortgage Finance and Finance Divisions. The cost for this direct administration is covered by the bond funds. There are sufficient funds to continue to support program administration for many years.

The FY 2009 budget draws \$1,776,200 from 1979 Single Family Indenture for the cost of program administration for the Single Family Mortgage Finance Program and \$770,000 and \$261,203, respectively, from the 1984 and 1982 Multi-family indentures for the program administration costs of the Multi-Family program.

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

Tax-exempt Mortgage Revenue Bonds

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

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

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

activity bonds issued within a state. There are no federally imposed limits on the amount of essential purpose bonds, but there is a State cap of \$150 million on bonds issued per year for 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

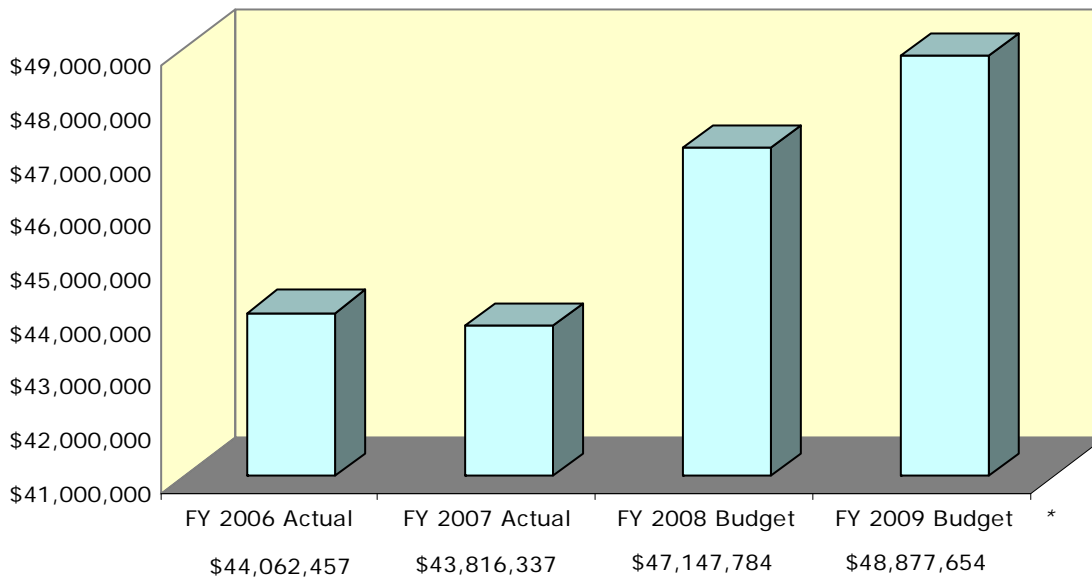
development process. Rent is HOC's largest single revenue source after the Housing Assistance Payments.

The FY 2009 budget made the following assumptions for rental rates at Opportunity Housing Properties:

Rent increase upon renewal budgeted at 1%-3.1%

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

Tenant Income



**Represents 25.0% 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 2009 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, scattered site management and an asset management fee.

Management Fees: This fee is charged to cover project oversight, executive monitoring and decision making, strategic planning on an organizational level and other very general functions that are difficult to attribute to a specific program or project.

Front Line Fees: This fee is charged to cover Agency overhead costs that can be directly attributed to a specific program or project.

Asset Management Fees: An Asset Management Fee is calculated for those properties that HOC owns, but are managed by contract. The flat fee reflects the costs of the oversight function in the Property Management Division. The fees increase annually by 3%.

Other Income

Interest Income

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

Opportunity Housing Reserve Fund (OHRF)

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

purpose is the production of affordable housing.

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

Debt Management

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

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

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

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

The Commission participates in a mortgage risk-sharing agreement with HUD to provide for full mortgage insurance through the Federal Housing Administration (FHA) of loans for affordable housing. The Commission was approved by HUD as both a Level I and Level II

participant. Level I participants assume 50-90% of the risk of loss from mortgage default and Level II participants assume either 25% or 10% of the risk of loss from mortgage default.

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

The Commission has the use of revolving funds from the County in the amount of \$17

million; these loans are used for interim financing and are repaid when HOC is reimbursed from the source of the permanent financing for the project. HOC also has a \$20 million unsecured line of credit with M&T Bank (formerly Allfirst Bank). These funds are also used for interim financing of development activity, or other purposes if approved by the Commission and the Bank.

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

Legal Debt Limit

HOC is not limited in the amount of debt it can incur. However, each financing plan is reviewed by Moody's to ensure that our A bond rating is maintained. The following table summarizes the total indebtedness of the Agency as of March 31, 2008.

Debt Summary (As of March 31, 2008)

Bonds	Amount Issued	Amount Outstanding	Property Related	Amount Outstanding
Single Family Fund	\$481,541,101	\$296,849,148	Intra-Commission Mortgages	\$135,000,802
Multi-Family Fund	\$494,791,992	\$399,449,402	Other Mortgages	\$19,226,934
Total HOC Bonds	\$976,333,093	\$696,298,550	Total Mortgages	\$154,227,736
Public Housing	\$7,995,000	\$7,995,000	County Revolving Funds	\$13,129,439
Non-Obligated Multi-Family Bonds	\$338,444,000	\$338,218,905	Notes Payable to County	\$22,898,917
Total Non-Obligated Bonds	\$346,439,000	\$346,213,905	Total Debt to County	\$36,028,356
			Notes Payable to State	\$17,911,197
TOTAL BONDS	\$1,322,772,093	\$1,042,512,455	TOTAL PROPERTY DEBT	\$208,167,289

Single Family Mortgage Revenue Bonds (As of March 31, 2008)

Bond Series	Final Maturity	Amount Issued	Amount Outstanding
1986 Series A	7/1/2013	\$20,001,373	\$5,000
1988 Series A	7/1/2017	\$27,035,000	\$5,000
1988 Series B	7/1/2017	\$15,000,000	\$5,000
1998 Series A	7/1/2028	\$16,849,295	\$29,349,551 (1)
2001 Series A	7/1/2032	\$19,114,606	\$2,655,000
2001 Series C	7/1/2022	\$10,000,000	\$10,000,000
2002 Series A	7/1/2019	\$13,200,000	\$5,515,000
2002 Series B	7/1/2033	\$1,800,828	\$2,448,780 (1)
2002 Series C	7/1/2033	\$16,890,000	\$16,890,000
2004 Series A	7/1/2024	\$19,645,000	\$13,845,000
2004 Series B	7/1/2034	\$5,355,000	\$3,385,000
2005 Series A	7/1/2025	\$18,500,000	\$16,625,000
2005 Series B	7/1/2035	\$6,500,000	\$4,730,000
2005 Series C	7/1/2025	\$11,600,000	\$10,555,000
2005 Series D	7/1/2036	\$13,400,000	\$11,375,000
2006 Series A	7/1/2026	\$18,705,000	\$18,100,000
2006 Series B	7/1/2037	\$11,295,000	\$11,185,000
2007 Series A	7/1/2021	\$15,875,000	\$15,875,000
2007 Series B	7/1/2038	\$19,125,000	\$19,100,000
2007 Series C	7/1/2015	\$1,000,000	\$1,000,000
2007 Series D	7/1/2038	\$20,000,000	\$20,000,000
2007 Series E	1/1/2038	\$13,000,000	\$13,000,000
2007 Series F	7/1/2038	\$10,000,000	\$10,000,000
Total Single Family Revenue Bonds		\$323,891,102	\$235,648,331
Draw Down Bonds			
2005 Series A	1/1/2010	\$104,457,740	\$31,676,884
2005 Series B	1/1/2010	\$53,192,259	\$29,523,933
Total Draw Down Bonds		\$157,649,999	\$61,200,817
Total Bonds		\$481,541,101	\$296,849,148

(1) Includes Accreted Value as of 3/31/2007.

Multi-Family Housing Bonds (As of March 31, 2008)

Bond Series	Current Property Name	Owner	Final Maturity	Amount Issued	Amount Outstanding	Bond Series	Current Property Name	Owner	Final Maturity	Amount Issued	Amount Outstanding
Multi-Family Program Fund:						Housing Development Bonds (Guaranteed by Montgomery County)					
1982 Open Indenture						1998 Issue A					
1992 Series C	The Ambassador	Private	7/1/2032	\$4,425,000	\$2,785,000	Landings Edge	Non-Profit	7/1/2028	\$12,900,000	\$10,800,000	
1993 Series A	Sligo Hills	HOC	7/1/2034	\$3,975,000	\$0	Pook's Hill	HOC				
	MPDU III	HOC				2006 Series A	MetroPointe	HOC	1/1/2009	\$36,350,000	\$36,350,000
SUBTOTAL				\$8,400,000	\$2,785,000	SUBTOTAL				\$49,250,000	\$47,150,000
1984 Open Indenture						Multiple Purpose Indenture					
1984 Series A			7/1/2026	\$5,521,992	\$79,402 (1)	2002 Series A	Strathmore Court	HOC	11/1/2033	\$22,325,000	\$22,325,000
1995 Series A	MPDU I	HOC	7/1/2026	\$23,910,000	\$3,130,000	2002 Series B	Strathmore Court	HOC	5/1/2008	\$1,990,000	\$85,000
1996 Series A	The Oaks @ Four Corners	HOC	7/1/2026	\$3,625,000	\$2,920,000	2002 Series C	Fairfax Court	HOC	1/1/2032	\$12,965,000	\$12,965,000
1996 Series B	Croyden Manor	Private	7/1/2028	\$13,610,000	\$3,255,000		Pook's Hill	HOC			
SUBTOTAL				\$46,666,992	\$9,384,402		Paddington Square	HOC			
SUBTOTAL						SUBTOTAL				\$37,280,000	\$35,375,000
1996 Open Indenture						Other Issues					
1996 Series B	Alexander House	HOC	7/1/2037	\$25,995,000	\$0	1993 Issue II	Magruder's Discovery	HOC	7/1/2010	\$6,505,000	\$1,620,000
1998 Series A	TPM Development	HOC	7/1/2030	\$11,935,000	\$10,290,000	SUBTOTAL				\$6,505,000	\$1,620,000
1998 Series B	Shady Grove	HOC	7/1/2030	\$18,905,000	\$15,520,000	Public Housing Authority Bonds					
	Manchester Manor	HOC				1968 Issue	Public Housing	HOC	5/1/2008	\$2,250,000	\$2,250,000
	The Willows	HOC				1973 Issue	Public Housing	HOC	7/1/2010	\$5,745,000	\$5,745,000
2000 Series A	Ring House	Non-Profit	7/1/2030	\$19,465,000	\$17,330,000	SUBTOTAL				\$7,995,000	\$7,995,000
2000 Series B	MHLP X	HOC	7/1/2042	\$28,600,000	\$25,635,000						
	Stewartown	HOC									
	Georgian Court	HOC									
	Burnt Mill Crossing II	Private									
	University Manor	Private									
2001 Series A	Somerset	Private	7/1/2042	\$8,240,000	\$7,885,000						
2002 Series A	Drings Reach	Non-Profit	7/1/2033	\$8,330,000	\$7,695,000						
2002 Series B	Silver Spring Metro	Private	7/1/2044	\$31,465,000	\$30,285,000						
2003 Series A	Brookside Glen	HOC	7/1/2034	\$20,265,000	\$18,665,000						
	Diamond Square	HOC									
	Montgomery Arms	HOC									
2003 Series B	Gramax	Private	7/1/2045	\$17,840,000	\$17,840,000						
2004 Series A	Charter House	Private	7/1/2036	\$13,700,000	\$13,700,000						
2004 Series B	Rockville Housing	Non-Profit	7/1/2045	\$4,085,000	\$3,995,000						
2004 Series C	Chevy Chase Lake	HOC	7/1/2036	\$19,460,000	\$18,905,000						
2004 Series C	The Barclay	HOC									
2004 Series D	Spring Garden	HOC	7/1/2036	\$14,110,000	\$13,715,000						
2004 Series D	Barclay	HOC									
2005 Series A	Montgomery Paint Branch Part II & III	Private	7/1/2028	\$12,035,000	\$11,415,000						
2005 Series B	The Metropolitan Tax Credit	HOC	7/1/2034	\$6,200,000	\$5,875,000						
2005 Series C	The Metropolitan HOC	HOC	7/1/2037	\$31,985,000	\$30,540,000						
2007 Series A	Forest Oak Towers	HOC	7/1/2037	\$19,055,000	\$19,055,000						
2007 Series B	Alexander House, Sligo Hills MPDU 3	HOC	7/1/2037	\$26,800,000	\$26,645,000						
2007 Series C	Silver Spring Hs., Tx Cr 9, Tx Cr Pond Ridge	Non-Profit/HOC	7/1/2028	\$8,220,000	\$8,145,000						
SUBTOTAL				\$346,690,000	\$303,135,000						

(1) Includes Accreted Value

Multi-Family Housing Bonds (As of March 31, 2008)

Bond Series	Current Property Name	Owner	Final Maturity	Amount Issued	Amount Outstanding
Non-Obligation Bond Issues:					
<u>Multi-Family Housing Revenue Bonds</u>					
1991 Issue A	Oakwood-Gaithersburg	Private	11/1/2007	\$48,220,000	\$48,220,000
1996 Issue A	Wynnfield	Private	5/1/2026	\$31,680,000	\$31,680,000
1996 Issue B	Oak Mill II	Private	5/1/2026	\$9,600,000	\$9,600,000
1996 Issue C	Avalon Knoll Apts./Chase	Private	7/1/2026	\$14,130,000	\$11,670,000
2001 Issue A	Aston Woods	Private	5/15/2031	\$13,000,000	\$13,000,000
2003 Issue A	Randolph Manor	Private	8/1/2045	\$5,500,000	\$5,413,817
2004 Issue A	Olney Manor	Private	1/1/2046	\$7,000,000	\$6,907,764
2004 Issue B	Blair Park	Private	10/15/2036	\$2,700,000	\$2,623,465
2004 Issue C	Cloppers Mill	Private	7/1/2046	\$7,800,000	\$7,719,859
2006 Issue A	Covenant Village	Private	12/1/2048	\$6,418,000	\$6,418,000
2006 Issue B	Covenant Village	Private	2/1/2009	\$1,182,000	\$1,182,000
<u>Multi-Family Housing Revenue Refunding Bonds</u>					
2001 Isssue A	Draper Lane	Private	3/1/2040	\$35,000,000	\$35,000,000
2001 Isssue B	Draper Lane	Private	3/1/2040	\$11,000,000	\$11,000,000
2001 Isssue C	Draper Lane	Private	3/1/2040	\$6,000,000	\$6,000,000
<u>Variable Housing Revenue Bonds</u>					
1985 Issue II	Falkland Apartments	Private	12/1/2030	\$24,695,000	\$24,695,000
1993 Issue I	Windsor Court	Private	11/1/2022	\$20,200,000	\$20,200,000
1997 Issue I	The Grand	Private	6/1/2030	\$54,000,000	\$57,000,000
2005 Issue I	Oakfield	Private	7/1/2039	\$38,000,000	\$38,000,000
1998 Issue I	Byron Housing	Private	9/1/2030	\$2,319,000	\$1,889,000
SUBTOTAL				\$338,444,000	\$338,218,905
TOTAL Multi-Family Bonds				\$841,230,992	\$745,663,307

Property Related Debt (As of March 31, 2008)

Property Name	Purpose	Amount Outstanding
<u>Intra-Commission mortgages made from bond issues</u>		
Alexander House	Mortgage	\$22,631,248
Chevy Chase Lake	Mortgage	\$8,062,286
Diamond Square	Mortgage	\$1,665,263
Fairfax Court	Mortgage	\$746,000
Magruder's Discovery	Mortgage	\$1,120,290
Montgomery Arms	Mortgage	\$9,824,622
MPDUs (59)	Mortgage	\$2,825,269
MPDUs (64)	Mortgage	\$2,419,811
Pomander Court	Mortgage	\$569,965
Pooks Hill Highrise	Mortgage	\$6,520,200
Pooks Hill Midrise	Mortgage	\$3,464,186
Sligo Hills	Mortgage	\$3,123,640
Strathmore Court	Mortgage	\$17,672,013
The Glen	Mortgage	\$6,523,048
The Metropolitan	Mortgage	\$28,813,938
The Oaks at Four Corners	Mortgage	\$2,994,065
Timberlawn Crescent	Mortgage	\$5,727,874
Barclay One Associates	Mortgage	\$10,297,084
Subtotal		\$135,000,802

Other Mortgages

Greenhills	Mortgage	\$4,000,000
Holiday Park	Mortgage	\$1,350,000
Paint Branch	Mortgage	\$211,033
Paddington Square	Mortgage	\$7,123,919
MHLP I	Mortgage	\$737,614
MHLP III	Mortgage	\$674,050
MHLP IV	Mortgage	\$1,037,120
MHLP V	Mortgage	\$1,093,198
Subtotal		\$16,226,934

Other Loans

General Fund (Paddington Square)	Contribution	\$3,000,000
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Subtotal		\$19,226,934
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Notes Payable to State of Maryland

Alexander House	RHPP	\$450,000
Diamond Square	RHPP	\$2,000,000
The Glen	RHPP	\$1,211,706
General Fund (Paddington Square)	RHPP	\$500,000
State Rental Consolidated	PHRP	\$8,795,567
State Rental VII	PHRP	\$4,712,863
Tanglewood	PHRP	\$101,875
Montgomery Arms		\$139,186

Subtotal		\$17,911,197
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Property Name	Purpose	Amount Outstanding
<u>Loans from Montgomery County Revolving Funds</u>		
Brook Farm	Interim Financing	\$218,174
Alexander House	Interim Financing	\$808,572
Holiday Park Townhouses	Interim Financing	\$62,589
Pooks Hill Land	Interim Financing	\$665,000
Ambassador	Interim Financing	\$1,558,816
MetroPointe	Interim Financing	\$500,000
MPDU 2004	Interim Financing	\$3,145,788
Tanglewood	Interim Financing	\$2,512,500
General Fund (Paddington Square)	Interim Financing	\$3,000,000
Barclay One Associates	Interim Financing	\$658,000
Subtotal		\$13,129,439

Notes Payable to Montgomery County Government

Alexander House	Construction	\$1,000,000
Chelsea Towers	Acquisition	\$1,152,858
Diamond Square	Acquisition	\$2,746,344
Pooks Hill Highrise	Rehab	\$400,000
McHome	Acquisition	\$2,005,645
Pooks Hill Midrise	Rehab	\$411,571
Sligo Hills	Operating Deficit	\$300,000
State Rental Consolidated	Acquisition	\$60,000
State Rental VII	Acquisition	\$1,668,050
Tanglewood	Rehab	\$99,076
The Glen	Home Funds	\$800,000
The Oaks at Four Corners	Acquisition	\$2,213,324
Timberlawn	Acquisition	\$1,000,000
Montgomery Arms	Rehab	\$1,750,000
Chelsea Towers	Acquisition	\$698,000
Chevy Chase Lake	Rehab	\$1,250,000
Hampden Lane	Predevelopment	\$152,572
Dale Drive	Predevelopment	\$2,406,227
Aspen Court	Acquisition	\$1,600,000
MPDU 2004	Acquisition	\$812,000
Ambassador	Acquisition	\$373,250
Subtotal		\$22,898,917

TOTAL PROPERTY RELATED DEBT		\$208,167,289
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Debt Summary By Fund

Property Name	Total Debt Service			-----FY09 ADOPTED BUDGET-----			
	FY 2006 Actual	FY 2007 Actual	FY08 Amended Budget	Interest Payments	Mortgage Insurance	Principal Payments	Total Debt Service
General Fund							
Facilities	\$86,234	\$46,571	\$45,020	\$10,460	\$0	\$62,660	\$73,120
IT	\$133,358	\$158,454	\$213,040	\$34,940	\$0	\$232,030	\$266,970
Total General Fund	\$219,592	\$205,025	\$258,060	\$45,400	\$0	\$294,690	\$340,090
Multi-Family Bond Fund	\$19,484,097	\$18,442,512	\$19,019,510	\$19,296,800	\$0	\$0	\$19,296,800
Single Family Bond Fund	\$10,581,948	\$11,386,304	\$9,390,010	\$9,990,300	\$51,230	\$0	\$10,041,530
Opportunity Housing Fund							
Alexander House	\$1,971,678	\$1,957,865	\$1,969,130	\$1,331,660	\$111,970	\$523,830	\$1,967,460
The Barclay	\$0	\$0	\$564,100	\$452,450	\$50,760	\$185,720	\$688,930
Brookside Glen (The Glen)	\$472,735	\$472,111	\$471,450	\$322,410	\$32,070	\$153,240	\$507,720
Chelsea Towers	\$80,304	\$79,412	\$78,260	\$33,860	\$0	\$43,000	\$76,860
Chevy Chase Lake	\$0	\$425,247	\$540,130	\$354,260	\$39,740	\$145,420	\$539,420
Diamond Square	\$120,684	\$120,025	\$120,360	\$76,280	\$8,190	\$35,720	\$120,190
Fairfax Court	\$48,863	\$48,863	\$48,860	\$48,860	\$0	\$0	\$48,860
Greenhills	\$250,000	\$250,000	\$250,000	\$318,560	\$0	\$0	\$318,560
Holiday Park	\$101,563	\$101,563	\$101,560	\$81,000	\$0	\$20,560	\$101,560
Kensington Park	\$200,000	\$0	\$0	\$0	\$0	\$0	\$0
Magruder's Discovery	\$695,205	\$695,205	\$695,200	\$0	\$0	\$0	\$0
McHome	\$42,717	\$42,716	\$42,720	\$42,720	\$0	\$0	\$42,720
McKendree	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Metropolitan, The	\$2,891,100	\$3,050,616	\$2,333,140	\$1,820,620	\$142,640	\$368,080	\$2,331,340
Montgomery Arms	\$702,350	\$702,287	\$852,270	\$525,320	\$48,370	\$277,630	\$851,320
MHLP I	\$59,529	\$59,791	\$59,530	\$47,400	\$0	\$12,130	\$59,530
MHLP III	\$0	\$0	\$69,220	\$43,380	\$0	\$9,650	\$53,030
MHLP IV	\$0	\$0	\$107,460	\$79,780	\$0	\$11,190	\$90,970
MHLP V	\$0	\$0	\$159,410	\$81,430	\$0	\$10,860	\$92,290
MPDU 2004	\$0	\$0	\$0	\$0	\$0	\$0	\$0
MPDU I (64)	\$235,659	\$233,996	\$233,620	\$139,410	\$11,780	\$82,030	\$233,220
TPM - MPDU II (59)	\$235,781	\$235,441	\$235,090	\$144,140	\$13,830	\$76,750	\$234,720
The Oaks @ Four Corners	\$290,306	\$288,272	\$289,400	\$184,700	\$14,510	\$89,750	\$288,960
Paddington Square	\$1,198,690	\$1,162,189	\$1,206,290	\$1,089,960	\$0	\$112,550	\$1,202,510
Paint Branch	\$44,799	\$44,799	\$44,800	\$15,250	\$0	\$29,550	\$44,800
TPM - Pomander Court	\$48,002	\$47,498	\$47,430	\$29,080	\$2,790	\$15,480	\$47,350
Pooks Hill Mid-Rise	\$298,108	\$297,276	\$298,120	\$171,360	\$0	\$193,620	\$364,980
Pooks Hill High-Rise	\$427,073	\$427,073	\$427,070	\$0	\$0	\$0	\$0
Silgo Hills/ MPDU III	\$236,177	\$235,994	\$235,800	\$177,920	\$15,450	\$42,220	\$235,590
Spring Garden	\$0	\$0	\$0	\$0	\$0	\$0	\$0
State Rental Combined	\$0	\$0	\$0	\$0	\$0	\$0	\$0
State Rental VII	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Strathmore Court	\$1,231,927	\$1,229,539	\$1,226,520	\$892,770	\$0	\$329,380	\$1,222,150
Tanglewood	\$7,500	\$7,500	\$7,500	\$0	\$0	\$7,500	\$7,500
TPM-Timberlawn	\$478,016	\$477,331	\$476,610	\$292,220	\$28,030	\$155,600	\$475,850
Westwood Tower	\$1,657,557	\$1,693,983	\$1,691,190	\$0	\$0	\$1,769,250	\$1,769,250
Total Opportunity Housing Fund	\$14,026,323	\$14,386,592	\$14,882,240	\$8,796,800	\$520,130	\$4,700,710	\$14,017,640
Public Fund							
Capital Fund Grant	\$0	\$0	\$310,680	\$311,470	\$0	\$0	\$311,470
Total Public Fund	\$0	\$0	\$310,680	\$311,470	\$0	\$0	\$311,470
TOTAL AGENCY	\$44,311,960	\$44,420,433	\$43,860,500	\$38,440,760	\$571,360	\$4,995,400	\$44,007,520

Estimated Agency Funds (As of June 30, 2008)

Shown below is the agency's projected income statement and impact on fund balance for all funds for FY 2008 based on the accrual basis. The agency's budgets are adopted under the modified cash basis. This chart is prepared to help in converting the cash based budgets to the agency's accrual based financial statements.

	General Fund	Opportunity Housing Fund	Public Fund	Multi-Family Bond Fund	Single Family Bond Fund	Eliminations	Total
Beginning Fund Balance: 6/30/07	\$12,387,858	\$55,042,821	\$70,633,893	\$19,579,234	\$24,566,726	(\$8,626,664)	\$173,583,868
Revenue:							
Housing Assistance Payments (HAP)	\$0	\$0	\$63,346,270	\$0	\$0	\$0	\$63,346,270
HAP administrative fees	\$0	\$0	\$4,644,582	\$0	\$0	\$0	\$4,644,582
Other grants	\$0	\$0	\$8,061,098	\$0	\$0	\$0	\$8,061,098
State and County grants	\$0	\$0	\$11,695,230	\$0	\$0	\$0	\$11,695,230
Investment income	\$0	\$0	\$0	\$7,553,282	\$6,271,802	\$0	\$13,825,084
Unrealized Gains (Losses) on Investment	\$0	\$0	\$0	\$2,239,844	\$1,630,239	\$0	\$3,870,083
Interest on mortgage & construction loans receivable	\$0	\$0	\$0	\$16,537,276	\$8,308,742	(\$7,845,364)	\$17,000,654
Dwelling Rental	\$822,206	\$41,252,766	\$5,239,280	\$0	\$0	\$0	\$47,314,252
Dwelling units sale/loss	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Management fees and other income	\$12,633,766	\$1,314,796	\$1,955,156	\$169,338	\$0	(\$9,459,850)	\$6,613,206
Total Operating Income	\$13,455,972	\$42,567,562	\$94,941,616	\$26,499,740	\$16,210,783	(\$17,305,214)	\$176,370,459
Expenses:							
Housing Assistance Payments (HAP)	\$0	\$0	\$63,990,426	\$0	\$0	\$0	\$63,990,426
Administration	\$9,928,500	\$8,009,456	\$15,295,782	\$1,366,934	\$2,698,592	(\$6,214,410)	\$31,084,854
Maintenance	\$842,564	\$7,772,008	\$4,243,404	\$4,684	\$0	\$0	\$12,862,660
Depreciation and amortization	\$801,198	\$7,713,254	\$2,995,192	\$0	\$0	\$0	\$11,509,644
Utilities	\$215,942	\$3,102,264	\$1,761,612	\$0	\$0	\$0	\$5,079,818
Fringe benefits	\$2,690,754	\$589,866	\$3,411,632	\$0	\$0	\$0	\$6,692,252
Interest Expense	\$0	\$12,914,188	\$0	\$19,844,160	\$11,671,540	(\$7,845,364)	\$36,584,524
Other	\$293,712	\$3,468,024	\$3,856,176	\$0	\$634,326	(\$3,245,440)	\$5,006,798
Bad Debt Expense	\$103,028	\$301,986	\$223,136	\$0	\$0	\$0	\$628,150
Total Operating Expenses	\$14,875,698	\$43,871,046	\$95,777,360	\$21,215,778	\$15,004,458	(\$17,305,214)	\$173,439,126
Operating Income (loss)	(\$1,419,726)	(\$1,303,484)	(\$835,744)	\$5,283,962	\$1,206,325	\$0	\$2,931,333
Non-operating revenues (expense):							
Other Grants	\$0	\$36,626	\$0	\$0	\$0	\$0	\$36,626
State and County grants	\$0	\$3,856	\$0	\$0	\$0	\$0	\$3,856
Investment income	\$1,659,042	\$1,175,250	\$153,214	\$0	\$0	\$0	\$2,987,506
Unrealized Gains (Losses) on Investment	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest on mortgage & construction loans receivable	\$13,368	\$76,700	\$0	\$0	\$0	\$0	\$90,068
Interest Expense	(\$273,226)	\$0	\$0	\$0	\$0	\$0	(\$273,226)
Total Nonoperating Income (Loss)	\$1,399,184	\$1,292,432	\$153,214	\$0	\$0	\$0	\$2,844,830
Capital Contributions	\$0	\$0	\$1,318,910	\$0	\$0	\$0	\$1,318,910
Ending Fund Balance: 6/30/08 est.	\$12,367,316	\$55,031,769	\$71,270,273	\$24,863,196	\$25,773,051	(\$8,626,664)	\$180,678,941
Estimated Change in Fund Balance	(\$20,542)	(\$11,052)	\$636,380	\$5,283,962	\$1,206,325	\$0	\$7,095,073

Multi-Family Bond Fund: The estimated change in fund balance from FY 2007 to FY 2008 of \$5,283,962 or 21% is due to anticipated unrealized gains on investments and an increase in interest on mortgage and construction loans receivable offset in part by an increase in interest expense. In FY 2008, the Multi-Family Bond Fund anticipates unrealized gains on investments of \$2,239,894 compared to losses of \$312,073 million in FY 2007. In FY 2008, interest expense is expected to decrease by approximately \$1.4 million.

Single Family Bond Fund: The estimated change in fund balance from FY 2007 to FY 2008 of \$1,206,325 or 5% is due to anticipated unrealized gains on investments of \$1.6 million as compared to unrealized losses of \$522,324 in FY 2007. In addition, there is an anticipated increase in interest on mortgage and construction loans receivable offset in part by an anticipated decrease in investment income of \$2.7 million.

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 (as FBI) formed from initial letters.

Admissions & Occupancy Policy (A & O Policy)

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

Agency

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

American Dream Downpayment Initiative (ADDI)

ADDI is a special closing cost and downpayment assistance effort funded with HUD HOME funds

provided to the County.

Americans with Disabilities Act (ADA)

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

Annual Growth Policy

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

Arbitrage

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

Arbitrage Rebate

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

Area Median Income

Washington-Arlington-Alexandria, DC-VA-MD-WV area median income as defined by the Department

of Housing and Urban Development (HUD). The 2008 area median income is \$99,000 for a family of four.

Appropriation

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

Asset

Any possession that has value in an exchange.

Balanced Budget

A budget in which revenues equal expenses.

Basis Point

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

Bond

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

Bond Cap

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

Bond Proceeds

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

Bond Purchase Agreement

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

Bond Rating

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

Budget

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

CAFR

Comprehensive Annual Financial Report - State and Local governments issue an annual financial report called the Comprehensive Annual Financial Report (CAFR, pronounced cay-fer). The CAFR has three

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

Capital Budget

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

Capital Expenses

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

Capital Fund Program

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

Capital Improvements Program (CIP)

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

Capital Plan

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

Carryover

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

Cash Flow Analysis

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

Closed Indenture

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

Closing Cost Assistance Program

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

Commission

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

Commitment Fees

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

Community Development Block Grant Program (CDBG)

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

Community Partners

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

Compensation

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

Congregate Housing

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

Contingency

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

Continuing Disclosure Agreement

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

Conventional Mortgage

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

Cost of Issuance (COI)

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

Cost of Living Adjustment (COLA)

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

Coupon

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

Coupon Rate

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

Credit Enhancement

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

Davis-Bacon

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

Default (Bond)

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

period of time, the bondholders or trustee may exercise legally available rights and remedies for enforcement.

Department of Business and Economic Development (DBED)

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

Debt Service

The annual payment of principal and interest on bonded indebtedness.

Deficit

An excess of expenditure over revenue.

Department of Housing & Community Affairs (DHCA)

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

Department of Housing and Community Development (DHCD)

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

Department of Housing and Urban Development (HUD)

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

Development Corporation

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

Development Fees

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

Draw Down

A mechanism in the single family program which preserves volume cap and helps to reduce bond debt by accelerating the pay off of higher cost

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

Due Diligence

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

Economic Occupancy

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

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

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

Equal Employment Opportunity (EEO)

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

Equal Housing Opportunity (EHO)

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

Equity Capital

Money received in exchange for ownership interest of a property.

Existing Property Acquisition

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

Expenditure

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

Face Amount

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

Fair Housing Act

Title VIII of the Civil Rights Act of 1968 (Fair Housing Act) prohibits discrimination in the sale, rental, and financing of dwellings, and in other

housing-related transactions, based on race, color, national origin, religion, sex, familial status, and handicap (disability).

Fair Market Rent (FMR)

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

Family Self-Sufficiency (FSS)

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

Family Self-Sufficiency Mentoring Project

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

Family Unification Program (FUP)

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

Fannie Mae

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

Federal Housing Administration (FHA)

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

FHA Mortgage

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

FHA Risk Sharing Program

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

wherein they may use underwriting standards and loan terms approved by HUD.

Fiscal Year

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

Freddie Mac

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

Free Cash Flow

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

Full-time Equivalent (FTE)

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

Fund

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

Fund Balance

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

Governmental Accounting Standards Board (GASB)

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

General Obligation (GO) Bonds

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

limited tax, usually on real estate and personal property.

General Partner

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

Generally Accepted Accounting Principles (GAAP)

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

Geographical Information Systems (GIS)

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

GFOA

Government Finance Officers Association.

GNMA

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

Good Neighbor Policy

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

Gross Rent Potential

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

Grant

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

Guaranteed Investment Contract (GIC)

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

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

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

Heating, Ventilation and Air Conditioning (HVAC)

An acronym common in facilities and property management projects.

HO&C

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

HOC/HOP

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

Homeownership Assistance Loan Fund (HALF)

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

HOME

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

Housing Assistance Payments (HAP)

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

Housing Choice Voucher (HCV) Program

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

Housing Resource Service (HRS)

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

Housing Initiative Fund (HIF)

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

Housing Opportunities for Persons With HIV/AIDS (HOPWA)

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

Indenture

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

Indirect Cost

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

Internal Rate of Return

The rate of return of an uneven cash flow.

Jesup Blair House

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

Letter of Credit

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

Leverage

Using existing resources in exchange for a greater benefit.

Limited Partnership

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

Low-Income Tax Credit

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

Maturity Date

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

McHOME Program

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

McKinney-Vento Homeless Assistance Act

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

Mission Statement

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

Moderately Priced Dwelling Unit (MPDU) Law

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

Modified Accrual Basis

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

Mortgage Purchase Program (MPP)

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

Mortgage-backed Securities (MBS)

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

Multi-Family Mortgage Revenue Bonds

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

National Association of Housing and Redevelopment Officials (NAHRO)

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

Open Indenture (also known as Parity Indenture)

All assets of the indenture are pledged as security for all bonds in the indenture. An open indenture

also outlines the terms & conditions for issuing more than one series of bonds, it is governed by a general or master indenture, and transactions in the indenture possess similar characteristics.

Operating Budget

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

Operating Expenses

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

Opportunity Housing

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

Opportunity Housing Property Reserves

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

Opportunity Housing Reserve Fund (OHRF)

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

Par Value

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

Paradigm

A philosophical or theoretical framework of any kind.

Parity Indenture

See Open Indenture.

Partnership Rental Housing Program (PRHP)

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

Pay Grade

Salary level or range for each personnel classification.

Payment in Lieu of Taxes (PILOT)

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

Performance Measures

Quantified indication of results obtained from budgeted activities.

Personal Living Quarters (PLO)

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

Personnel Complement

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

Planning Board

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

Pool Insurance

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

Pre-Ullman

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

Present Value

The value today of a sum at a future date.

Price (Bond)

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

Principal

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

Proforma

A comprehensive financial analysis of a project.

Program Budget

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

Program Objective

Intended results or outcomes.

Public Housing

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

Public Housing Homeownership Reserves

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

Public Housing Management Assessment Program (PHMAP)

A national set of performance indicators for Public Housing agencies.

Quasi

Having some resemblance, usually by possession of certain attributes.

Rating Agency

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

REAC

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

Rebate

See Arbitrage rebate.

Redemption

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

Redemption Provision (Bond)

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

Refunding

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

Resident Advisory Board (RAB)

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

Rental Allowance Program (RAP)

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

Rental Housing Production Program (RHPP)

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

Reserve

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

Revenue Bond

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

Salary Lapse

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

Salary Schedule

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

Section 202

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

Section 221(d)(3)

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

Section 236

A Federal housing program in which eligible

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

Section 3

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

Section 5(h) Program

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

Section 504

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

Section Eight Management Assessment Program (SEMAP)

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

Service-Linked Housing

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

Servicing Agreement

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

Single Family Mortgage Purchase Program (SFMPP)

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

Shelter Plus Care Program

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

Stabilization

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

State Partnership Rental Housing Program

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

Strategic Plan

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

Supportive Housing Program

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

Tax credit

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

Tax exempt bonds

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

Taxable bonds

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

Tax Credit Partnership

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

Ten Year Rule

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

Thirty-Two Year (32) Rule

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

Turnkey

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

Turnkey Debt Forgiveness

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

Underwriter's Fee

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

Underwriting

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

United Black Fund

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

Unrealized Gains or Losses

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

User Fees

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

Volume Bond Cap (See Bond Cap)**Violence Against Women Act (VAWA)**

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

Work Force Housing

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

Work Year (WY)

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

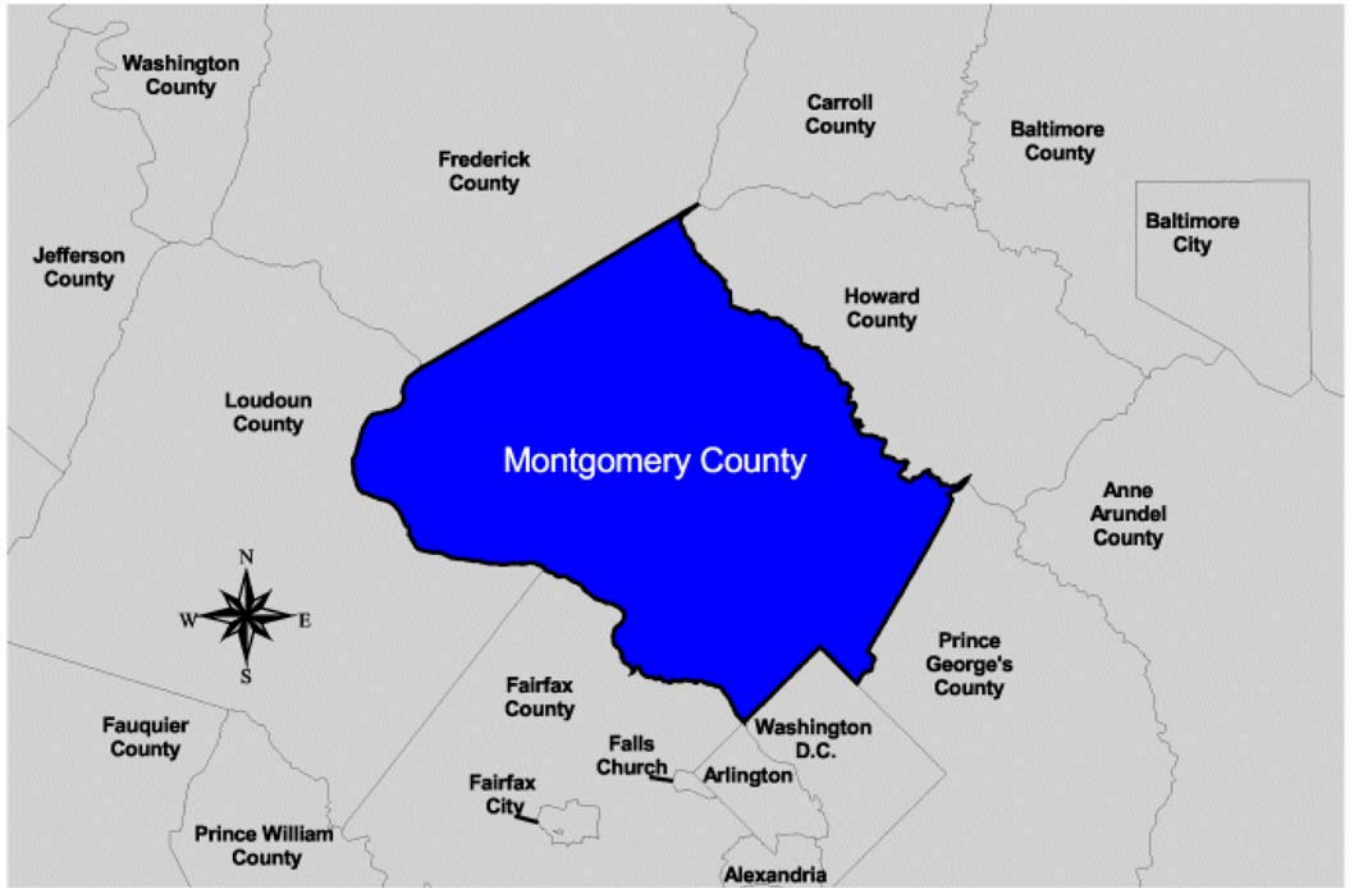
Yield

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

Frequently Used Acronyms

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

Montgomery County, MD and Vicinity



Legend
■ Montgomery County Boundary
■ MD and VA Counties



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

The logo of the University of Maryland System is on the left. To the right is the DIST logo, which consists of the letters G, D, I, S, T in colored boxes (G: green, D: blue, I: red, S: yellow, T: purple).

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