

**MEMORANDUM**

May 3, 2021

TO: Planning, Housing, and Economic Development Committee

FROM: Linda McMillan, Senior Legislative Analyst

SUBJECT: FY22 Recommended Operating Budget: Housing Opportunities Non-Departmental Account (NDA)  
Amendment to the FY21-26 CIP: Supplemental Funds for Deeply Subsidized HOC Owned Units Improvements

PURPOSE: Worksession; vote expected

**Expected for this session:**

Stacy Spann, Executive Director, Housing Opportunities Commission (HOC)  
Kayrine Brown, Deputy Executive Director, HOC  
Terri Fowler, Budget Officer, HOC Finance  
Pofen Salem, Sr. Fiscal and Policy Analyst, Office of Management and Budget

**Summary of FY22 Recommended Budget**

HOC NDA	FY21 Approved	FY22 CE Recommended	Change from FY21 Approved
General Fund (Total Expenditures)	\$6,824,693	\$6,985,693	1.0%
Personnel Costs	\$0 0 FTEs	\$0 0 FTEs	0.0% 0 FTEs
Operating Costs	\$6,824,693	\$6,985,693	1.0%

Each year the County provides the Housing Opportunities Commission with funding through this Non-Departmental Account. It is used for Resident Services, Customer Service Center Client Services, payment of Homeowner Association and Rental License fees that HOC must pay and to assist with electricity costs for deeply subsidized units (previously public housing).

The Executive has recommended an additional \$71,000 in funding for FY22 to help cover the costs of annualization of personnel costs.

It should be noted that HOC’s total operating budget is about \$292 million. The largest sources of operating income are Federal funds, tenant income, and management fees. County funds are critical to helping HOC with resident services and other costs that cannot be covered through the level of funding provided by the federal government.

**Council staff recommends approval of the funding for the HOC NDA.**

Council staff also notes that the PHED Committee has made a recommendation to increase Housing Initiative Fund resources for homeownership and has asked for a follow-up session on homeownership assistant. HOC will be an important part of the conversation that will include its Mortgage Purchase Program, closing cost assistance, and first-time homebuyer education program.

**FY21-26 CIP: Supplemental Funds for Deeply Subsidized HOC Owned Units Improvements**

The Executive is recommending \$1,125,000 in Current Revenue funded expenditures in FY22 for this project which provides monies to HOC to continue to maintain and upgrade deeply subsidized housing units owned by HOC. Federal funding is not sufficient to continue to upgrade and maintain these units. Funding can be used for new windows, roof replacement, HVAC, electrical and plumbing systems, floors, kitchen upgrades and new bathrooms.

The County intends to provide \$1,250,000 annually but constraints on Current Revenue meant that FY21 funding was reduced to \$1,125,000 as a part of the Savings Plan and the Executive is recommending \$1,125,000 again in FY22 in response to fiscal constraints.

	6-Years	FY21	FY22	FY23	FY24	FY25	FY26
Approved	7,500	1,250	1,250	1,250	1,250	1,250	1,250
HOC Request*	7,375	1,125	1,250	1,250	1,250	1,250	1,250
CE Recommend	7,250	1,125	1,125	1,250	1,250	1,250	1,250

\*recognizes FY21 Savings Plan

**Council staff recommends approval of the Executive’s amendment given the current constraints on Current Revenue.**

However, Council staff also recommends the PHED Committee place a **\$125,000 restoration of the reduction on the Category #2 list** that would allow the Council to reconsider this during FY22 should additional funds become available. While this is not an operating budget item, as Current Revenue, it is impacted by the amount of general fund resources available. If funds become available, the restoration would have to be implemented through a CIP amendment and supplemental appropriation.

FY22 Recommended Changes	Expenditures	FTEs
<b>FY21 Approved</b>	<b>150,000</b>	<b>0.00</b>
<b>FY22 Recommended</b>	<b>150,000</b>	<b>0.00</b>

### **Homeowners' Association Road Maintenance Reimburse**

This NDA provides a partial reimbursement to homeowners' associations (HOAs) for their maintenance of certain privately-owned roadways. The payment is currently restricted to through roadways, accessible to the public, which are one-quarter mile or longer and which provide vehicular access to more than four dwelling units. In FY97, an Executive Regulation was enacted allowing homeowners' associations to request that their roadways be deemed "private maintenance roads." This designation qualifies the HOAs for State reimbursement of their roadway maintenance costs. The County annually submits to the State its estimate of reimbursable miles, including those accepted as private maintenance roads. The State then reimburses the County and, subsequently, the County forwards the funds to HOAs.

FY22 Recommended Changes	Expenditures	FTEs
<b>FY21 Approved</b>	<b>62,089</b>	<b>0.00</b>
<b>FY22 Recommended</b>	<b>62,089</b>	<b>0.00</b>

### **Housing Opportunities Commission**

The Housing Opportunities Commission of Montgomery County (HOC) is a public body corporate and politic duly organized under Division II of the Housing and Community Development Article of the Annotated Code of Maryland, commonly known as the Housing Authorities Law. The Commission acts as a builder, developer, financier, owner, and manager of housing for people of low- and moderate- (eligible) income. The Commission also provides eligible families and individuals with affordable housing and supportive services.

FY22 Recommended Changes	Expenditures	FTEs
<b>FY21 Approved</b>	<b>6,824,693</b>	<b>0.00</b>
Increase Cost: Annualization of Personnel Costs	71,000	0.00
<b>FY22 Recommended</b>	<b>6,895,693</b>	<b>0.00</b>

### **Inauguration and Transition**

The Montgomery County Charter provides for the quadrennial election of a County Executive and County Council. This NDA provides for a ceremony and smooth transition of the County Executive and County Council every four years.

FY22 Recommended Changes	Expenditures	FTEs
<b>FY21 Approved</b>	<b>0</b>	<b>0.00</b>
<b>FY22 Recommended</b>	<b>0</b>	<b>0.00</b>

### **Incubator Programs - Economic Development Partnership**

This NDA provides for facility lease payments, program and portfolio management services for the County's Business Innovation Network (BIN) facilities, and program funding for the Business Incubator Without Walls Program (for the Down County area). The BIN consists of three physical locations: the Silver Spring Innovation Center (SSIC) on Georgia Avenue, the

# EXECUTIVE RECOMMENDATION



## Supplemental Funds for Deeply Subsidized HOC Owned Units Improvements (P091501)

Category	Housing Opportunities Commission	Date Last Modified	12/23/20
SubCategory	Housing (HOC)	Administering Agency	Housing Opportunities Commission
Planning Area	Countywide	Status	Ongoing

### EXPENDITURE SCHEDULE (\$000s)

Cost Elements	Total	Thru FY20	Rem FY20	Total 6 Years	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Beyond 6 Years
Other	14,750	4,016	3,484	7,250	1,125	1,125	1,250	1,250	1,250	1,250	-
<b>TOTAL EXPENDITURES</b>	<b>14,750</b>	<b>4,016</b>	<b>3,484</b>	<b>7,250</b>	<b>1,125</b>	<b>1,125</b>	<b>1,250</b>	<b>1,250</b>	<b>1,250</b>	<b>1,250</b>	<b>-</b>

### FUNDING SCHEDULE (\$000s)

Funding Source	Total	Thru FY20	Rem FY20	Total 6 Years	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Beyond 6 Years
Current Revenue: General	14,750	4,016	3,484	7,250	1,125	1,125	1,250	1,250	1,250	1,250	-
<b>TOTAL FUNDING SOURCES</b>	<b>14,750</b>	<b>4,016</b>	<b>3,484</b>	<b>7,250</b>	<b>1,125</b>	<b>1,125</b>	<b>1,250</b>	<b>1,250</b>	<b>1,250</b>	<b>1,250</b>	<b>-</b>

### COMPARISON (\$000s)

	Total	Thru FY20	Rem FY20	Total 6 Years	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Beyond 6 Years	FY 22 Approp.
Prior Year Approved	15,000	7,500	-	7,500	1,250	1,250	1,250	1,250	1,250	1,250	-	1,250
Agency Request	14,875	4,016	3,484	7,375	1,125	1,250	1,250	1,250	1,250	1,250	-	1,250
Recommended	14,750	4,016	3,484	7,250	1,125	1,125	1,250	1,250	1,250	1,250	-	1,000

CHANGE	TOTAL	%	6-YEAR	%	APPROP.	%
Agency Request vs Prior Year Approved	(125)	-0.8%	(125)	-1.7%	-	-
Recommended vs Prior Year Approved	(250)	-1.7%	(250)	-3.3%	(250)	-20.0%
Recommended vs Agency Request	(125)	-0.8%	(125)	-1.7%	(250)	-20.0%

## RECOMMENDATION

Approve with Modifications. Reduce \$125K in FY21 and FY22 respectively due to the County's approved FY21 savings plan and pandemic related FY22 fiscal constraints.



# Supplemental Funds for Deeply Subsidized HOC Owned Units Improvements (P091501)

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## EXPENDITURE SCHEDULE (\$000s)

Cost Elements	Total	Thru FY20	Rem FY20	Total 6 Years	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Beyond 6 Years
Other	14,875	4,016	3,484	7,375	1,125	1,250	1,250	1,250	1,250	1,250	-
<b>TOTAL EXPENDITURES</b>	<b>14,875</b>	<b>4,016</b>	<b>3,484</b>	<b>7,375</b>	<b>1,125</b>	<b>1,250</b>	<b>1,250</b>	<b>1,250</b>	<b>1,250</b>	<b>1,250</b>	<b>-</b>

## FUNDING SCHEDULE (\$000s)

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Current Revenue: General	14,875	4,016	3,484	7,375	1,125	1,250	1,250	1,250	1,250	1,250	-
<b>TOTAL FUNDING SOURCES</b>	<b>14,875</b>	<b>4,016</b>	<b>3,484</b>	<b>7,375</b>	<b>1,125</b>	<b>1,250</b>	<b>1,250</b>	<b>1,250</b>	<b>1,250</b>	<b>1,250</b>	<b>-</b>

## APPROPRIATION AND EXPENDITURE DATA (\$000s)

Appropriation FY 22 Request	1,250	Year First Appropriation	FY15
Cumulative Appropriation	8,750	Last FY's Cost Estimate	15,000
Expenditure / Encumbrances	-		
Unencumbered Balance	8,750		

## PROJECT DESCRIPTION

Typical improvements include, but are not limited to, replacement of roofs, windows and doors; improvements to unit interiors such as kitchen and bathroom modernization; replacement of major mechanical, electrical, plumbing systems and equipment; appliance replacement; life-safety improvements; site improvements such as fencing, site lighting, landscaping, and sidewalk and parking lot replacement. In the FY15-20 Capital Improvements Program, this project was expanded to allow these funds to be used for deeply subsidized HOC owned unit improvements on public housing units, pre- and post-conversion.

## COST CHANGE

The increase is due to the addition of FY25 and FY26 funding partially offset by FY21 savings plan reductions.

## PROJECT JUSTIFICATION

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These properties are original MPDUs that are owned by HOC and are subject to Commission imposed or financing restrictions, or are subject to extended use restrictive covenants in accordance with the Low Income Housing Tax Credit (LIHTC) program, which requires continued affordability. Given the age of the properties, they now need comprehensive renovation but lack the net operating income to generate sufficient proceeds to retire the existing debt and fund the vital renovations. Montgomery County has a higher property standard than the Federal government. In addition, neighbors in the communities with the units expect the properties to be well maintained. Many of these units are scattered throughout the County in communities governed by Home Owner Associations (HOAs), and some have higher standards than the County code. Additional funding is necessary if HOC units are to be maintained at levels consistent with community norms and standards. To stay true to its mandate to provide decent, safe, and sanitary housing to low- and moderate-income residents in Montgomery County and to ensure that its properties and communities are maintained at a level consistent with community norms, HOC will use a combination of its own funds and County funds to make capital improvements to this housing stock.

## FISCAL NOTE

The Commission's portfolio includes hundreds of income-restricted scattered site units throughout the County, most approximately 30 years of age. Many of these units were acquired into Low Income Housing Tax Credit limited partnerships more than 15 years ago and are subject to continued affordability restrictions under the LIHTC program. All units in the limited partnerships have now been contributed to HOC making HOC the sole owner of these units. Finally, other units are simply older Moderately Priced Dwelling Units (MPDUs) that continue to be restricted to households of low- and moderate-income. With significant debt remaining on those units, the net operating income from these affordably priced units cannot support both the repayment of that debt and the additional proceeds needed to complete a comprehensive scope of renovation, which includes new windows, roof replacement, installation of energy-efficient heating and air conditioning systems, electrical and plumbing repairs, new flooring, new lighting, new cabinetry, installation of energy-efficient appliances, and new bathrooms.

## DISCLOSURES

Expenditures will continue indefinitely.

## COORDINATION

Maryland Department of Housing and Community Development, Department of Housing and Community Affairs.