

MEMORANDUM

March 9, 2022

TO: Planning, Housing, and Economic Development Committee

FROM: Linda McMillan, Senior Legislative Analyst

SUBJECT: Special Appropriation to the FY22 Operating Budget; Housing Opportunities Commission (HOC) Non-Departmental Account (NDA); \$3,000,000; (Source of Funds: General Fund Reserves)

PURPOSE: Worksession; vote expected

Expected Attendees:

Kayrine Brown, Acting Executive Director
Tim Goetzinger, Chief Development Funds Officer and Acting CIO, HOC
Terry Fowler, Budget Officer, HOC
Patrick Mattingly, Director of Human Resources, HOC
Ilana Branda, Deputy Chief, Department of Health and Human Services (DHHS), Services to End and Prevent Homelessness
Anita Aryeetey, Lead Fiscal Policy Analyst, Office of Management and Budget (OMB)

Background

On February 14, 2022, the County Executive recommended a \$3 million special appropriation to the Housing Opportunities Commission (HOC) Non-Departmental Account (NDA) to address revenue shortfalls that are a result of residents in HOC housing and HOC programs being unable to pay their rent. Even with many HOC renters receiving COVID rent relief, HOC continues to carry a large revenue shortfall (in the range of \$6 million) which has accumulated during FY21 and FY22. While HOC has received about \$3 million in revenue through COVID rental assistance programs, tenants continue to be unable to pay rent and have new arrearages. The Executive says that backfilling this shortfall will allow the Commission to continue to assist households to remain stably housed as they continue to recover from the impacts of the COVID-19 pandemic.

This special appropriation was introduced on March 1, 2022, and a public hearing was held on March 8, 2022. There were no speakers.

Since the start of the pandemic through February 27, 2022, the County reports that it has made over \$71 million in COVID rent assistance payments to 9,746 households county-wide. The average payment has been \$10,100. Ninety-one percent (91%) of applicants report that their household has an income at or below 50% of area median income.

There are still many households in need of rent assistance and DHHS is preparing to open a portal to begin a new round of applications. The County has received funding directly from the federal government (\$34 million) and from the State of Maryland (\$14 million); however, it is expected that this will not fully meet the need.

Issues/Discussion

Using the funds to clear tenant arrears: HOC, DHHS, OMB and Council staff met to discuss how HOC would use these funds, if they are appropriated, as the Executive's memo only broadly referenced rental revenue shortfalls. HOC intends to use these funds to credit tenant accounts so that the funds will not only increase revenue to HOC but will also help clear tenant delinquencies.

Flexible funding: The Executive's recommendation is for \$3 million in General Funds. While the Executive highlights the impacts of COVID, this funding does not come with the same restrictions as Federal or State funding regarding who is eligible and that the arrears must be linked to COVID – the household must have been financially impacted by COVID.

Council staff supports this flexibility as it can help HOC to address arrears and prevent evictions for tenants who may not be able to receive funding through COVID rent relief. HOC houses very low-income households. Many, such as seniors, may be on fixed incomes and may fall behind on even very low rents if other expenses arise. These people did not have a COVID impact, but they need help clearing arrearages none the less. Another place where flexibility can assist is for households which had an arrearage prior to March 2020. These households may be eligible to receive assistance through COVID rent relief but will still be delinquent from before March 2020, which could still put them in eventual danger of eviction. Lastly, where appropriate HOC can assist households with incomes above 50% of area median income. Demand on COVID rent relief and federal guidelines have meant that DHHS so far has limited assistance to households at 50% AMI or less.

HOC's Approach to Evictions During COVID: HOC's policy is to not give a notice of intent or to file for eviction for a tenant solely for failure to pay rent during the pandemic and while tenants may still be able to receive COVID relief. This has not always been executed perfectly and HOC is following up with all its property managers to make sure that the policy is clear. However, there are certain evictions, such as breach of lease, particularly for safety reasons, that will be filed. HOC must also file for evictions in certain instances when a household's income

exceeds federal requirements for the unit in order to be in compliance with law and program regulations.

Coordination with DHHS: HOC and DHHS will coordinate regarding the use of these funds so that DHHS is not reviewing application or making a payment to a household whose arrears will be cleared by HOC and so HOC will know if the tenant is assisted by COVID rent relief. As previously noted, some tenants may be assisted with a combination of funding.

Other potential sources for rent assistance for HOC tenants: In addition to this funding and the DHHS administered COVID rent relief, HOC will continue to pursue other available funds, such as the Maryland's State Assisted Housing Program. HOC continues to work with the County Department of Housing and Community Affairs to administer about \$3 million in Community Development Block Grant funding that will be available for partners in the Montgomery Housing Alliance, which includes HOC. The State was required to approve the County's plan for distribution of these funds before HOC could move forward.

Council Staff Recommendation: Approve with an amendment to the background section of the resolution:

6. HOC will use these funds to credit accounts of HOC renters with arrearages to prevent evictions for failure to pay rent. HOC and the Department of Health and Human Services will coordinate procedures to avoid duplication of application review and payments from other rent assistance programs. HOC does not intend to give notice of intent or file evictions for tenants solely for failure to pay rent while COVID rent assistance programs are in place.

Attached:

Memo from County Executive
Appropriation Resolution (as transmitted)

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OFFICE OF THE COUNTY EXECUTIVE

Marc Elrich
County Executive

MEMORANDUM

February 14, 2022

TO: Gabe Albornoz, President
Montgomery County Council

FROM: Marc Elrich, County Executive 

SUBJECT: Special Appropriation #22-65 to the FY22 Operating Budget
Housing Opportunities Commission (HOC) Non-Departmental Account (NDA)
\$3,000,000 (Source of Funds: General Fund Undesignated Reserves)

The Housing Opportunities Commission of Montgomery County (HOC) provides rental housing to approximately 8,500 households – nearly 27,000 county residents – many of whom have low to moderate incomes. The impact of the COVID-19 pandemic has been particularly harsh for our residents who continue to struggle to recover their livelihoods and retain their housing. As a result, many have been unable to pay their rent, have accumulated large delinquent balances, and are now at a high risk of eviction as moratoria have been lifted. Many households have applied for and received Emergency Rental Assistance from the Department of Health and Human Services, but the level of delinquency remains significant for HOC.

HOC has yet to implement an eviction policy during this tumultuous time; however, its monthly rental arrearage continues to grow resulting in significant revenue shortfalls for FY21 and FY22.

I am recommending a special appropriation to the FY22 Operating Budget of the HOC Non-Departmental Account (NDA), in the amount of \$3,000,000, to address the rental revenue shortfalls. This appropriation will provide funding to backfill the shortfall in HOC's budgeted rental income to allow the Commission to continue to assist households to remain stably housed as they continue to recover from the impacts of the COVID-19 pandemic.

I appreciate your prompt consideration of this action.

Attachment: Special Appropriation #22-65

c: Kayrine Brown, Acting Executive Director, Housing Opportunities Commission
Jennifer R. Bryant, Director, Office of Management and Budget
Michael Coveyou, Director, Department of Finance

Resolution No: _____
Introduced: _____
Adopted: _____

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

Lead Sponsor: Council President at the Request of the County Executive

SUBJECT: Special Appropriation #22-65 to the Fiscal Year 2022 Operating Budget
Housing Opportunities Commission (HOC) Non-Departmental Account (NDA)
\$3,000,000 (Source of Funds: General Fund Undesignated Reserves)

Background

1. Section 308 of the Montgomery County Charter provides that a special appropriation: (a) may be made at any time after public notice by news release; (b) must state that the special appropriation is necessary to meet an unforeseen disaster or other emergency or to act without delay in the public interest; (c) must specify the revenues necessary to finance it; and (d) must be approved by no fewer than six members of the Council.
2. The Housing Opportunities Commission (HOC) provides rental housing to approximately 8,500 households in Montgomery County, accounting for nearly 27,000 individuals, many of whom have low to moderate incomes. Due to the economic hardships because of the COVID-19 emergency, HOC has experienced non-payment of rents leading to significant revenue shortfalls for FY21 and FY22.
3. This appropriation will provide funding to backfill the shortfall in HOC's budgeted rental income to allow the Commission to continue to provide services and support for County residents.
4. The County Executive has requested the following FY22 Operating Budget appropriation increase for the Housing Opportunities Commission NDA:

<u>Personnel</u> <u>Services</u>	<u>Operating</u> <u>Expenses</u>	<u>Capital</u> <u>Outlay</u>	<u>Total</u>	<u>Source</u> <u>of Funds</u>
\$0	\$3,000,000	\$0	\$3,000,000	General Fund Undesignated Reserves

5. This increase is needed because the COVID-19 pandemic caused Montgomery County residents to suffer income loss and an inability to pay rent and related expenses.
6. Notice was given and public hearing was held.

Action

The County Council for Montgomery County, Maryland, approves the following actions:

1. A special appropriation to the FY22 Operating Budget of the Housing Opportunities Commission NDA is approved as follows:

<u>Personnel Services</u>	<u>Operating Expenses</u>	<u>Capital Outlay</u>	<u>Total</u>	<u>Source of Funds</u>
\$0	\$3,000,000	\$0	\$3,000,000	General Fund Undesignated Reserves

2. The County Council declares that this action is necessary to act in response to a public health or safety emergency and to act without delay in the public interest.

This is a correct copy of Council action.

Selena Mendy Singleton, Esq.
Clerk of the Council