

EXPANDED AGENDA

April 2, 2014

3:00 p.m.	Welcome Reception for New Commissioners
3:30 p.m.	Public Hearing – Amendment to the Housing Choice Voucher Administrative Plan - Providing a Preference for Persons Both Chronically Homeless and Medically Vulnerable
4:00 p.m.	I. <u>CONSENT ITEMS</u>
Page 3 13 16	A. Approval of Minutes of March 5, 2014 B. Adoption of Retirement Resolution for Angie Wolfe-Ross C. Ratification of Action to Amend Purchase Contract for Acquisition of Capital One Site
4:05 p.m.	II. <u>INFORMATION EXCHANGE</u>
Page 19	A. Report of the Executive Director B. Calendar and Follow-up Action C. Correspondence and Printed Matter D. Commissioner Exchange E. Resident Advisory Board F. Community Forum G. Status Report
4:15 p.m.	III. <u>COMMITTEE REPORTS and RECOMMENDATIONS FOR ACTION</u>
Page 22	A. Legislative and Regulatory Committee – <i>Com. Banks, Chair</i> 1. Authorization to Adopt Section 3 Policy
4:35 p.m.	IV. <u>ITEMS REQUIRING DELIBERATION and/or ACTION</u>
Page 54 59	A. Authorization to Submit to the Department of Housing and Urban Development the FFY 2014 Capital Fund Program Annual Statement and Supporting Documentation B. Presentation of the Executive Director’s FY’15 Recommended Budget
	V. <u>*FUTURE ACTION ITEMS</u>
Page 82	A. Authorization to Select Legal Counsel
	VI. <u>INFORMATION EXCHANGE (continued)</u> A. Community Forum
	VII. <u>NEW BUSINESS</u>
	VIII. <u>EXECUTIVE SESSION FINDINGS</u>
	<u>RECESS</u>
5:00 p.m.	<u>ADJOURN</u>
	<u>EXECUTIVE SESSION</u>

NOTES:

1. This Agenda is subject to change without notice.
2. Public participation is permitted on Agenda items in the same manner as if the Commission was holding a legislative-type Public Hearing.
3. Times are approximate and may vary depending on length of discussion.
4. *These items are listed "For Future Action" to give advance notice of coming Agenda topics and not for action at this meeting.
5. Commission briefing materials are available in the Commission offices the Monday prior to a Wednesday meeting.
If you require any aids or services to fully participate in this meeting, please call (240) 627-9425 or email commissioners@hocmc.org.

Consent Items

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

10400 Detrick Avenue
Kensington, Maryland 20895
(240) 627-9425

Minutes

March 6, 2014

Due to inclement weather condition on Wednesday, March 5, 2014, the monthly meeting of the Housing Opportunities Commission of Montgomery County was conducted via teleconference on Thursday, March 6, 2014 at 10400 Detrick Avenue, Kensington, Maryland beginning at 12:07 p.m. Those who participated via conference call were:

Teleconference

Roberto Piñero, Chair
Sally Roman, Vice Chair
Pamela Lindstrom
Rick Edson

Absent

Jean Banks, Chair Pro Tem
Michael Kator

Also Attending

Stacy Spann, Executive Director
Kelly McLaughlin, Deputy General Counsel
Kayrine Brown
Gail Willison
Regina Mitchell
Jim Atwell
Patrick Mattingly
Terri Fowler
Zachary Marks
Maria Montero
Ethan Cohen
Bill Rubin
Sheryl Hammond
Emily Dorfman
Lola Knight
Dean Tyree
Shaina Francis
Richard Hanks
Bill Anderson

Ken Tecler, Staff Counsel
John Vass
Scott Ewart

Staff via Teleconference

Gina Smith
Lynn Hayes

Commission Support

Patrice Birdsong, Spec. Asst. to Commission

The Consent Calendar was adopted upon a motion by Vice Chair Roman and seconded by Commissioner Lindstrom. Affirmative votes were cast by Commissioners Piñero, Roman, Lindstrom, and Edson. Commissioners Banks and Kator were necessarily absent and did not participate in the vote.

I. CONSENT ITEMS

A. Approval of Minutes

- **Approval of Minutes of Annual Meeting of February 5, 2014** – The minutes were approved as submitted.

B. Ratification of the Approval of a Predevelopment Agreement to Partner with Lee Development Group for the Redevelopment of Elizabeth House and Authorization to Expand Predevelopment Spending of up to \$730,000 of Opportunity Housing Reserve Funds for the Submission of the Preliminary and Project Plans to Maryland-National Capital Park and Planning Commission (M-NCPPC) and Montgomery County – The following resolution was approved.

RESOLUTION: 14-13

RE: Ratification of the Approval of a Predevelopment Agreement to Partner with Lee Development Group for the Redevelopment of Elizabeth House and Authorization To Expand Predevelopment Spending of up to \$730,000 of Opportunity Housing Reserve Funds For the Submission of the Preliminary and Project Plans to Maryland-National Capital Park And Planning Commission (M-NCPPC) and Montgomery County

WHEREAS, the Housing Opportunities Commission of Montgomery County (“HOC”), a public body corporate and politic duly organized under Division II of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, known as the Housing Authorities Law, and authorized thereby to effectuate the purpose of providing affordable housing, including providing for the acquisition, construction, rehabilitation and/or permanent financing or refinancing (or a plan of financing) of rental housing properties which provide a public purpose; and

WHEREAS, HOC, from time to time, enters into partnerships to build new affordable housing; and

WHEREAS, HOC owns Elizabeth House, a high-rise Public Housing facility for seniors at 1400 Fenwick Lane; and

WHEREAS, immediately contiguous to Elizabeth House is Alexander House, an opportunity housing development owned by a development corporation wholly controlled by HOC; and

WHEREAS, the Lee Development Group or an affiliate (“LDG”) owns an office townhouse development adjacent to Elizabeth House known as Fenwick Professional Park (“Fenwick Park”); and

WHEREAS, LDG is a well recognized developer and owner of property in the Silver Spring area and has expertise in the planning process; and

WHEREAS, Elizabeth House is over 50 years old and is in need of redevelopment to provide safe, high quality housing for seniors; and

WHEREAS, LDG desires to redevelop Fenwick Park as well; and

WHEREAS, LDG and HOC recognize common benefits to working together to redevelop both parcels; and

WHEREAS, a partnership with LDG to redevelop Elizabeth House and Fenwick Park can provide replacement housing units for the existing residents at Elizabeth House while a new facility is being built on the Elizabeth House property; and

WHEREAS, because LDG and HOC have commonality in their goals for the ultimate use of their respective properties and because LDG is the owner of adjacent property, it is beneficial to enter into preliminary development agreement for joint development of Elizabeth House and Fenwick Park through a partnership and ground lease to provide replacement housing units for the existing residents at Elizabeth House and construction of a new residential building; and

WHEREAS, the initial submission of the Preliminary and Project Plans is estimated to cost up to \$1,100,000 and work must begin on the application whether agreement is reached with LDG in order to be assured of obtaining the maximum density for redevelopment of Elizabeth House; and

WHEREAS, the initial submission can be funded out of the Opportunity Housing Reserve Fund from monies yielded by the sale of certain scattered site units and reserved for investment in multifamily development opportunities; and

WHEREAS, in the event that a partnership and ground lease are not negotiated with LDG, the expense incurred for Preliminary and Project Plans will benefit HOC as it will provide the basis for redevelopment approval of Elizabeth House; and

WHEREAS, prior to submission of the Preliminary and Project Plans to the M-NCPPC and entering into a final partnership agreement or ground lease with LDG, HOC will review the terms and determine the manner in which to proceed with development in its discretion.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County:

1. Authorizes the Executive Director to execute a Preliminary Development Agreement with LDG for the joint development of Elizabeth House and Fenwick Park substantially on the terms and conditions identified to the Commission and acceptable to the Executive Director as advised by counsel.
2. Authorizes the expenditure of no more than \$730,000 for the preparation and submission of Preliminary and Project Plans for joint development of Elizabeth House and Fenwick Park, all of which will benefit Elizabeth House redevelopment in any event to be funded from the Opportunity Housing Reserve Fund (“OHRF”) represented by a note with interest to accrue at the rate otherwise available for funds invested by the OHRF to be repaid at closing of a construction loan for redevelopment of Elizabeth House.
3. Authorize the Executive Director to execute applications and submissions to all of the required regulatory agencies which include the M-NCPPC and Montgomery County for Preliminary and Project Plans for the redevelopment of Elizabeth House.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular meeting conducted on March 6, 2014.

C. Authorization to Assign the Planning and Zoning Consultant Contract to Scheer Partners – The following resolution was approved.

RESOLUTION: 14-14

RE: Authorization to Assign the Planning and Zoning Consultant Contract to Scheer Partners

WHEREAS, on February 12, 2013, the Commission engaged Perry Berman of Berman Ventures (the “Consultant”) for a one-year term with two optional one-year renewals for a maximum of three years and an annual compensation of \$50,000; and

WHEREAS, on June 17, 2013, because of dramatically increased real estate development activities and the high number of County sector plans under revision, the Commission increased the annual value of the contract to \$150,000; and

WHEREAS, the Consultant is expected to continue to represent the Commission and work with staff in the coming months on ongoing and anticipated master and sector plan revisions, the evaluation of the HOC portfolio for opportunities to expand the delivery of affordable housing and on legislative matters; and

WHEREAS, at the time the contract was originally signed, the Consultant was also acting in a private consulting capacity to Scheer Partners and during the summer of 2013, the Consultant joined Scheer Partners as a full-time employee; and

WHEREAS, Scheer Partners is exposed to liability so long as their full-time employee is providing services pursuant to a contract to which Scheer is not a party. Once the contract is transferred to Scheer Partners, its insurance coverage would then apply; and

WHEREAS, there will be no changes to the existing contract.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it consents to the Consultant's assigning the Zoning and Consultant contract to Scheer Partners.

II. INFORMATION EXCHANGE

- A. Report of the Executive Director – No verbal report
- B. Calendar and Follow-up Action – Commissioners Roman, Lindstrom and Edson requested scheduling an initial meeting of the Planning Committee meeting for the month of March.
- C. Commissioner Exchange – No verbal reports
- D. Resident Advisory Board – None Present
- E. Community Forum – None Present
- F. Status Report – Utility Shut-off Prevention Program – Commissioner Roman thanked staff for providing the information. Commissioner Roman commented that shut-offs would cause potential problems as a landlord and asked that the staff notify the Board of any shut-off notices. Commissioner Lindstrom asked if programs provided were adequate in preventing shut-off. Mr. Spann responded that they were not. There is no perfect solution without getting involved with the resident and utility company arrangements.

III. COMMITTEE REPORTS and RECOMMENDATIONS FOR ACTION

A. Budget, Finance and Audit Committee – Commissioner Kator, Chair

1. Acceptance of Second Quarter FY'14 Budget to Actual Statement

Maria Montero, Assistant Budget Officer, gave a brief presentation. Ms. Montero responded to Commissioner Lindstrom's question regarding high vacancies. Ms. Montero responded that there were two properties in the Opportunity Housing Fund that were driving the negative variance, Barclay Apartments and Timberlawn.

The following resolution was adopted upon a motion by Vice Chair Roman and seconded by Commissioner Lindstrom. Affirmative votes were cast by Commissioners Piñero, Roman, Lindstrom and Edson. Commissioners Banks and Kator were necessarily absent and did not participate in the vote

Resolution: 14-15

**Re: Acceptance of Second Quarter
FY'14 Budget to Actual Statements**

WHEREAS, the budget policy for the Housing Opportunities Commission of Montgomery County states that quarterly budget to actual statements will be reviewed by the Commission; and

WHEREAS, the Commission reviewed the Second Quarter FY'14 Budget to Actual Statements during its March 5, 2014 meeting.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby accepts the Second Quarter FY'14 Budget to Actual Statements.

2. Approval of FY'14 Second Quarter Budget Amendment

Maria Montero, Assistant Budget Officer, gave a brief presentation.

The following resolution was adopted upon a motion by Vice Chair Roman and seconded by Commissioner Lindstrom. Affirmative votes were cast by Commissioners Piñero, Roman, Lindstrom and Edson. Commissioners Banks and Kator were necessarily absent and did not participate in the vote

Resolution: 14-16

**Re: Approval of FY'14 Second
Quarter Budget Amendment**

WHEREAS, the Housing Opportunities Commission adopted a budget for FY'14 on June 5, 2013; and

WHEREAS, the Commission's Budget Policy allows for amendments to the budget; and

WHEREAS, the Commission has reviewed several proposed budget amendments to the FY'14 Budget; and

WHEREAS, the net effect of the FY'14 Second Quarter Budget Amendment is a surplus of \$33,139 which will be restricted to the General Fund to address potential budget shortfalls thus returning to a balanced budget.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby amends the FY'14 Operating Budget by increasing total revenues and expenses for the Agency from \$229.9 million to \$230.6 million.

BE IT ALSO RESOLVED that the Housing Opportunities Commission of Montgomery County hereby amends the FY'14 Capital Budget by increasing revenues and expenses for the Agency from \$40.9 million to \$41.0 million.

3. Approval of CY'14 First Quarter Budget Amendment

Mario Montero, Assistant Budget Officer, gave a brief presentation.

The following resolution was adopted upon a motion by Vice Chair Roman and seconded by Commissioner Edson. Affirmative votes were cast by Commissioners Piñero, Roman, Lindstrom and Edson. Commissioners Banks and Kator were necessarily absent and did not participate in the vote.

Resolution: 14-17

**Re: Approval of CY'14 First
Quarter Budget Amendment**

WHEREAS, the Housing Opportunities Commission ratified the CY'14 Budgets for MV Affordable Housing Associates LP (Stewartown) and The Willows of Gaithersburg Associates LP on November 6, 2013; and

WHEREAS, the Commission's Budget Policy allows for amendments to the budget; and

WHEREAS, the Commission has reviewed the proposed budget amendments to the CY'14 Budgets for MV Affordable Housing Associates LP (Stewartown) and The Willows of Gaithersburg Associates LP.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby amends the CY'14 budgets for MV Affordable Housing Associates LP (Stewartown) and The Willows of Gaithersburg Associates LP.

4. Approval to Increase Contract Value for the Holly Hall Sprinkler System

Kayrine Brown, Director of Mortgage Finance/Real Estate Development, gave a brief presentation.

The following resolution was adopted upon a motion by Vice Chair Roman and seconded by Commissioner Lindstrom. Affirmative votes were cast by Commissioners Piñero, Roman, Lindstrom and Edson. Commissioners Banks and Kator were necessarily absent and did not participate in the vote.

RESOLUTION: 14-18

RE: Approval to Increase Contract Value for the Holly Hall Sprinkler System

WHEREAS, the Housing Opportunities Commission has awarded a contract to Advanced Fire Protection to upgrade the water service at Holly Hall to accommodate the new fire safety system; and

WHEREAS, the location of the water main identified on WSSC drawings was incorrectly identified and the actual line was located at least 51 feet away from where originally shown on the drawings; and

WHEREAS, the cost of labor and materials has increased because of the additional work needed to connect to the corrected water main location; and

WHEREAS, Montgomery County Capital Improvements Program (CIP) funds will be used for the contract amount; and

WHEREAS, Capital Fund Program (CFP) from HUD will be used in the event that the CIP funds for the upgrades are fully expended.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that the Executive Director is authorized to execute an amendment to the contract with Advanced Fire Protection to increase to the existing contract in the amount of \$153,138 and fund a 15% contingency of \$22,971 for the upgrade of water service for Holly Hall.

5. Approval to Modify Loan Sources to Fund the Renovation Cost for the 669 Former Scattered Site Public Housing Units

Gail Willison, Chief Financial Officer gave a brief presentation.

The following resolution was adopted upon a motion by Vice Chair Roman and seconded by Commissioner Lindstrom. Affirmative votes were cast by Commissioners Piñero, Roman, Lindstrom. Commissioner Edson abstained. Commissioners Banks and Kator were necessarily absent and did not participate in the vote

Resolution: 14-19

Re: Approval to Modify Loan Sources to Fund the Renovation Cost for the 669 Former Scattered Site Public Housing Units

WHEREAS, the Housing Opportunities Commission approved a loan to provide interim financing from a combination of the Opportunity Housing Reserve Fund (OHRF), the Opportunity Housing (OH) Bank Account, and the County Revolving Fund to fund up to \$20 million of renovation cost for the former 669 scattered site Public Housing units on June 5, 2013; and

WHEREAS, the allocation of the loan was \$10 million from the OHRF, \$5 million from the OH Bank Account and \$5 million from the County Revolving Fund; and

WHEREAS, staff informed the Commission, on October 30, 2013, that the OHRF projected a negative ending balance as of September 30, 2013 if all obligations were spent; and

WHEREAS, the Commission reviewed the proposed modifications to change the loan sources to fund the renovation cost for the 669 former scattered site Public Housing units.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it hereby modifies the loan sources to fund the renovation cost for the 669 former scattered site Public Housing units by reducing the \$10 million commitment from the OHRF to \$5 million and obligating the remaining \$5 million from the PNC Line of Credit (LOC).

IV. ITEMS REQUIRING DELIBERATION and/or ACTION

None

V. FUTURE ACTION ITEMS

Presentation of the Executive Director's FY'15 Recommended Budget

VI. NEW BUSINESS

None

Meeting recessed at 12:58 p.m. for Development Corporation and Limited Partnership meetings.

Based upon this report and there being no further business to come before this session of the Commission, a motion was made, seconded and unanimously adopted to adjourn.

The meeting adjourned at 1:00 p.m.

Respectfully submitted,

Stacy L. Spann
Secretary-Treasurer

/pmb

**ADOPTION OF RETIREMENT RESOLUTION FOR
ANGIE ROSS**

April 2, 2014

- Angie Ross retired effective April 1, 2014.

RESOLUTION: 14-

**RE: Adoption of Retirement
Resolution for Angie Ross**

WHEREAS, the Housing Opportunities Commission of Montgomery County is indebted to Angie Ross, Human Resources Supervisor, for more than 25 years of invaluable and dedicated service to the Agency; and

WHEREAS, Angie began her career with HOC on August 24, 1988, as a Personnel Assistant in the Human Resources Office; and

WHEREAS, in 1996, Angie was promoted to Human Resources Specialist I. Angie's responsibilities included benefits administration, recruitment and tuition assistance. She was responsible for tracking the insurance changes during transfer seasons. She also took over the enrollment of the Flexible Spending Plan, all while requiring little assistance and supervision. Angie was also successful in her recruitment efforts. She screened all applications for the hiring supervisors in a timely manner and in accordance with the program objectives. Angie was also responsible for arranging and coordinating training for all employees to inform them of services provided through the Agency's Employee Assistance Program (EAP); and

WHEREAS, in 2002, Angie was promoted to Human Resources Specialist II. Angie's responsibilities expanded to the oversight of all employee benefits, leave administration and training. She was responsible for interfacing with Montgomery County's Office of Human Resources and packaging benefits information to staff to ensure all employees were well equipped to make the best choices for themselves. Angie was responsible for communicating all benefit enrollments to the County. In addition, Angie diligently took the time to educate staff on other benefits available to them such as Flexible Spending Accounts, to help stretch the employee's dollar and the Deferred Compensation Plan to assist employees in garnering financial resources to support their retirement years. Through her exemplary service and with a tailored approach to meet the individual needs of each employee, and for taking the time to elaborate on employee questions or concerns and guide each so that they could make informed decisions, the name "Angie Ross" became synonymous with excellent customer service; and

WHEREAS, in 2007, Angie was promoted to the position of Human Resources Coordinator. Angie's responsibilities included providing excellent customer service to all staff, OHR representatives and vendors. She was exceptional in her efforts to calm those with concerns and misunderstandings when dealing with Workers Compensation cases, the Family Medical Leave Act and the Americans with Disabilities Act. Angie was also successful in obtaining certification as a Certified Workers' Compensation Professional (CWCP) by the School of Labor & Industrial Relations at Michigan State University. Angie was awarded this distinction for demonstrating a high level of expertise in the area of workers' compensation and consistently utilized her expertise in the work environment; and

WHEREAS, in 2012, Angie was promoted to Human Resources Supervisor. In this role, she was responsible to oversee the day-to-day operation of the Human Resources Office and provide guidance to the Human Resources staff. She was given the added responsibility of authorizing and approving personnel transactions and guiding directors, supervisors and employees on personnel matters including the interpretation of the Collective Bargaining Agreement for represented employees and the Personnel Policy for unrepresented staff. Angie took extreme care to assure the adherence of the highest standards and to ensure that relevant equity issues were considered in all cases, both in spirit and in policy application. She continued in the provision of exceptional customer service and guided the Human Resources team accordingly; and

WHEREAS, over the years, Angie achieved the highest standards of excellence on all of her annual performance evaluations and earned numerous employee awards for her efforts with employee benefits, training initiatives, and systems conversions including receiving an award for her efforts in the conversion of the HOC's Payroll/Human Resources Information System from PayAmerica's Liberty system to ADP. She also received an award for her significant contribution to the pursuit of excellence through the HOC's Customer Service Guidelines, through service and delivery and leading by example. In addition to her work in Human Resources, Angie served as a mentor for participants in the Family Self-Sufficiency Program for many years. Her support and willingness to step forward and assist the Agency during numerous changes has been invaluable.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County extends sincere thanks and appreciation to Angie for her many contributions and wishes her health and happiness in her retirement.

I HEREBY CERTIFY that the foregoing resolution was adopted by the Housing Opportunities Commission at a regular meeting conducted on April 2, 2014.

S
E
A
L

Patrice Birdsong
Special Assistant to the Commission

RATIFICATION OF ACTION TAKEN IN EXECUTIVE SESSION ON MARCH 20, 2014 TO AMEND PURCHASE CONTRACT FOR ACQUISITION OF CAPITAL ONE SITE

April 2, 2014

- On February 4, 2014, the Housing Opportunities Commission of Montgomery County (“HOC” and “Commission”) entered into a binding Purchase and Sale Agreement (“PSA”) to acquire a one-acre parcel (“Capital One Site”) near HOC’s Holly Hall property.
- Key terms include a purchase price of \$1.7MM, a 37-day feasibility period, and a subsequent 120-day closing period. During the feasibility period, HOC has the unilateral right to withdraw from the purchase contract for any reason.
- At the execution of the purchase contract, HOC deposited \$85,000 into escrow. That deposit is fully refundable until the end of the feasibility period (March 21, 2014). Should the Commission wish to proceed into the closing period, an additional \$85,000 will need to be deposited into escrow. The combined \$170,000 will be non-refundable and applicable toward the purchase price.
- During the feasibility period, staff determined that the Capital One Site is subject to two use restrictions. Despite those use restrictions, two appraisals commissioned by staff during the feasibility period supported the purchase price. Within the memo is further discussion on the likelihood that the use restrictions are extinguished.
- Also during the feasibility period, a Phase I environmental assessment commissioned by staff recommended a Phase II environmental assessment. The Phase II environmental assessment requires an additional 30 days to conduct.
- Staff has negotiated an extension of the feasibility period (“Amended Feasibility Period”) for an additional 30 days to begin on March 21, 2014. However, once within that extended period, HOC would only be able to withdraw from the purchase contract for reasons of environmental contamination.
- The initial 37-day period was to expire on March 13, 2014. The seller, Capital One National Association, extended the original feasibility period until March 21, 2014, to allow the Commission to approve the 30-day environmental extension.
- The Commission authorized the Executive Director to execute the amendment to the Capital One Site PSA which provides an additional 30 days to complete a Phase II environmental study during which HOC may withdraw from the purchase contract and receive a full refund of its deposit only for reasons of environmental contamination.

RESOLUTION:

RE: Ratification of Action Taken in Executive Session on March 20, 2014 to Amend Purchase Contract for Acquisition of Capital One Site

WHEREAS, the Housing Opportunities Commission of Montgomery County (“HOC”), a public body corporate and politic duly organized under Division II of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, known as the Housing Authorities Law, and authorized thereby to effectuate the purpose of providing affordable housing, including providing for the acquisition, construction, rehabilitation and/or permanent financing or refinancing (or a plan of financing) of rental housing properties which provide a public purpose; and

WHEREAS, on February 4, 2014, HOC entered into a Purchase and Sale Agreement (“PSA”) with Capital One, National Association (“Seller”) to acquire an approximately one-acre parcel (“Capital One Site”) near HOC’s Holly Hall property; and

WHEREAS, the PSA gave HOC 37 days (“Feasibility Period”) to perform due diligence associated with the acquisition of the Capital One Site; and

WHEREAS, during the feasibility period, a Phase I environmental assessment recommended a Phase II environmental assessment which requires an additional 30 days to conduct; and

WHEREAS, the Seller has agreed to amend the PSA and extend the Feasibility Period with limitations on the refunding of HOC’s escrow deposit.

NOW, THEREFORE, BE IT RESOLVED that the Housing Opportunities Commission of Montgomery County authorizes the Executive Director to execute the Amendment to the Purchase and Sale Agreement that 1) provides for a 30-day extension to complete a Phase II environmental study, and 2) permits HOC to withdraw from the PSA with a refund of its deposit only for reasons of environmental contamination.

I HEREBY CERTIFY that the foregoing Resolution was adopted by the Housing Opportunities Commission of Montgomery County at a regular meeting conducted on April 2, 2014.

S
E
A
L

Patrice M. Birdsong
Special Assistant to the Commission

Information Exchange

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

April 2014

2	HOC Regular Meeting (<i>All</i>)	4:00 p.m.
2 – 5	NALHFA 2014 Annual Conference (Omni CNN Center, Atlanta, GA)	
7	Banor Housing, Inc. Board Meeting (<i>Roman, Edson</i>)	7:30 p.m.
11	HOC Tailgate (<i>All</i>)	1 – 3 p.m.
15	Development and Finance Committee (<i>Lindstrom, Kator</i>)	11:30 a.m.
16	Information and Communication Committee (<i>Banks</i>)	4:00 p.m.
17	Budget, Finance and Audit Committee (<i>Mortg. Fin. & Real Estate – OHRF</i>) (<i>Kator, Piñero, Roman</i>)	10:00 a.m.
17	Town Center Apartments Board Meeting (<i>Banks</i>)	4:00 p.m.
21	Town Hall Meeting (EOB – Rockville, MD)	6:30 p.m.
21	Resident Advisory Board (<i>Banks</i>)	7:00 p.m.
22	Executive Session (<i>All</i>)	12:00 noon
23	Budget, Finance and Audit Committee (<i>Public Fund</i>)(<i>Kator, Piñero, Roman</i>)	10:00 a.m.
24	Take Your Daughter and Son to Work Day (<i>All</i>)	
27	NAACP 39 th Annual Freedom Fund Dinner (Bethesda North Marriott Hotel & Conference Center, 5701 Marinelli Road, Rockville, MD – Dinner begins at 6:00 p.m.)	5:00 p.m.
28	Agenda Formulation (<i>Piñero, Lindstrom</i>)	1:00 p.m.

May 2014

2	23 rd Annual Affordable Housing Conference (<i>All</i>)(<i>Bethesda N. Marriott Conference Center</i>)	8 a.m. – 3 p.m.
3	Housing Fair & Financial Fitness Day (Activity Center at Bohrer Park, Summit Hall Farm, 506 S. Frederick Ave., Gaithersburg, MD 20877)	
5	Budget Finance and Audit Committee (<i>Opportunity Housing</i>) (<i>Kator, Piñero, Roman</i>)	2:00 p.m.
7	HOC Regular Meeting (<i>All</i>)	4:00 p.m.
8	Budget, Finance and Audit Committee (<i>General Fund</i>)(<i>Kator, Piñero, Roman</i>)	10:00 a.m.
9	Status/Lunch Meeting w/Executive Director (<i>All</i>)(<i>Location TBD</i>)	12:00 noon
13	Legislative and Regulatory Committee (<i>Banks, Roman</i>)	2:00 p.m.
13	Information and Communication Committee (<i>Banks</i>)	4:00 p.m.
14	Development and Finance Committee (<i>Lindstrom, Kator</i>)	11:30 a.m.
14	Executive Session (<i>All</i>)	1:30 p.m.
15	Budget, Finance and Audit Committee (Wrap-up)(<i>Kator, Piñero, Roman</i>)	10:00 a.m.
19	Agenda Formulation (<i>Piñero, Lindstrom</i>)	1:00 p.m.
19	Resident Advisory Board (<i>Banks</i>)	7:00 p.m.
20	Budget, Finance and Audit Committee (3 rd Quarter) (<i>Kator, Piñero, Roman</i>)	10:00 a.m.
21-23	MAHRA Spring Conference	
26	Memorial Day (HOC Closed)	

June 2014

4	HOC Regular Meeting (<i>All</i>)	4:00 p.m.
5	Staff Appreciation Day	
12	Information and Communication Committee (<i>Banks</i>)	4:00 p.m.
13	Executive Session (<i>All</i>)	10:00 a.m.
16	Resident Advisory Board (<i>Banks</i>)	7:00 p.m.
19	Development and Finance Committee (<i>Lindstrom, Kator</i>)	11:30 p.m.

July 2014

4	Independence Day (HOC Closed)	
7	Agenda Formulation (<i>Piñero, Banks</i>)	1:00 p.m.
16	HOC Regular Meeting and Tony Davis Award Ceremony (Tony Davis Award Reception , 3:00 p.m.)	4:00 p.m.
17	Information and Communication Committee (<i>Banks</i>)	4:00 p.m.
21	Resident Advisory Board (<i>Banks</i>)	7:00 p.m.
22	Legislative and Regulatory Committee (<i>Banks, Roman</i>)	2:00 p.m.
24	Development and Finance Committee (<i>Lindstrom, Kator</i>)	11:30 a.m.
24	Executive Session (<i>All</i>)	1:30 p.m.
25	Status/Lunch Meeting w/Executive Director (<i>All</i>)(<i>Location TBD</i>)	12:00 noon
28	Agenda Formulation (<i>Piñero, Banks</i>)	1:00 p.m.

August 2014

6	HOC Regular Meeting	4:00 p.m.
14	Information and Communication Committee (Banks)	4:00 p.m.
25	Agenda Formulation (<i>Piñero, Herrera</i>)	1:00 p.m.

September 2014

1	Labor Day (HOC Closed)	
3	HOC Regular Meeting	4:00 p.m.
11	Information and Communication Committee Meeting	4:00 p.m.
15	Resident Advisory Board (Banks)	7:00 p.m.
16	Budget, Finance and Audit Committee (4 th Quarter & CIP) (<i>Piñero, Roman</i>)	10:00 a.m.
18	Development and Finance Committee (<i>Lindstrom</i>)	11:30 a.m.
22	Agenda Formulation (<i>Piñero, Herrera</i>)	1:00 p.m.
23	Legislative and Regulatory Committee (Banks, Lindstrom)	2:00 p.m.

Activities of Interest

Hearing Board

TBD Joint Meeting with Commission on People with Disabilities

TBD Joint Meeting with the Planning Board

TBD Joint Lunch Meeting with County Council (October 2014)

TO DO / ACTION

Ref. #	DUE DATE	ACTION	STAFF	STATUS
TD-286	First Quarter 2014	Rationale for HOC Managed Properties vs. Contract Managed (Kator, Commission Mtg., Jan. 11, 2012)	RM	Status Report
TD-14-01		Property Tour with Commissioners	LPA	TBD

AUTHORIZATION TO ADOPT SECTION 3 POLICY

April 2, 2014

- The Housing and Urban Development Act (HUD) of 1968 (as amended) established the Section 3 program. Section 3 is a legislative directive for providing new employment, training and contracting opportunities for low and very-low income residents in communities that receive HUD funding for projects.
- The regulations codifying the Section 3 program can be found at 24 CFR 135. As a public housing agency (PHA) and recipient of various sources of HUD funding, HOC has several responsibilities for developing and implementing a Section 3 policy and program.
- A list of some, but not all, of HOC's responsibilities under the statute and implementing regulations is provided below:
 1. Implement procedures to ensure that all parties comply with Section 3
 2. Notify contractors of Section 3 responsibilities
 3. Facilitate training and employment of Section 3 residents
 4. Facilitate award of contracts to Section 3 businesses
 5. Penalize non-compliance
 6. Submit Annual Section 3 Summary Report.
- In light of the expansive capital construction projects resulting from the Disposition and RAD projects, staff believes it is prudent to adopt a formal policy to ensure HOC's compliance with the Section 3 regulations while maximizing economic opportunities for HOC clients and other low and very-low income persons.
- The policy establishes numerical goals for contractors and their subcontractors to achieve compliance, along with the administrative processes that HOC will implement to ensure participation and compliance with the numerical goals.
- This policy was presented to the Legislative and Regulatory Committee on March 18, 2014 and to the Resident Advisory Board on March 24, 2014.

MEMORANDUM

TO: Housing Opportunities Commission

VIA: Stacy L. Spann, Executive Director

FROM: Staff: Gina Smith Division: Executive Ext. 9479

RE: Authorization to Adopt Section 3 Policy

DATE: April 2, 2014

STATUS: **Committee Report** X

OVERALL GOAL & OBJECTIVE:

To obtain Commission authorization to adopt Section 3 Policy.

BACKGROUND:

The Housing and Urban Development Act (HUD) of 1968 (as amended) established the Section 3 program. Section 3 is a legislative directive for providing new employment, training and contracting opportunities for low and very-low income residents in communities that receive HUD funding for projects. The regulations codifying the Section 3 program can be found at 24 CFR 135. As a public housing agency (PHA) and recipient of various sources of HUD funding, HOC has several responsibilities for developing and implementing a Section 3 policy and program. A list of some, but not all, of HOC’s responsibilities under the statute and implementing regulations is provided below:

1. Implement procedures to ensure that all parties comply with Section 3
2. Notify contractors of Section 3 responsibilities
3. Facilitate training and employment of Section 3 residents
4. Facilitate award of contracts to Section 3 businesses
5. Penalize non-compliance
6. Submit Annual Section 3 Summary Report.

Section 3 is triggered when a covered project creates the need for new employment, contracting or training opportunities. Recipient agencies and their contractors are not required to hire Section 3 residents or award contracts to Section 3 businesses other than what is needed to complete covered projects. Section 3 covered trades include: carpentry, masonry, plumbing, electrical, and demolition work. Covered management and administrative work includes: architectural, engineering, legal, management and administrative support.

While HOC has made efforts to comply with Section 3 in the past, the Agency has not adopted a formal policy and procedures for implementing and ensuring compliance with Section 3. In light of the expansive capital construction projects resulting from the Disposition and RAD projects, staff believes it is prudent to adopt a formal policy to ensure HOC's compliance with the Section 3 regulations while maximizing economic opportunities for HOC clients and other low and very-low income persons.

Some key definitions and provisions of the Agency's proposed Section 3 policy are described in the following paragraphs.

Definitions

Section 3 Covered Project: The construction, reconstruction, conversion or rehabilitation of housing (including reduction and abatement of lead-based paint hazards), other public construction which includes buildings or improvements (regardless of ownership) assisted with housing or community development assistance.

Section 3 Resident:

- (1) A HOC public housing resident; or
- (2) An individual who resides in Montgomery County and who is:
 - a. A low-income person, who is defined as a family (including single persons) whose income does not exceed 80% of the Area Median Income.
 - b. A very low-income person, who is defined as a family (including single persons) whose income does not exceed 50% of the Area Median Income.

Section 3 Business: A Section 3 Business Concern defined as follows:

- (1) One that is 51% or more owned by a Section 3 Resident; or
- (2) Whose permanent, full-time employees include persons, at least 30% of whom are currently Section 3 Residents, or within three years of the date of first employment with the business concern were Section 3 Residents; or
- (3) That provides evidence of a commitment to subcontract more than 25% of the dollar award of a contract to business concerns that meet the qualifications of paragraphs 1 and 2 above.

Section 3 Threshold

Section 3 requirements apply to contractors or subcontractors with contracting exceeding \$100,000 for covered activities. The requirements apply to each individual contract and subcontract that meets the threshold.

Numerical Goals

24 CFR 135 establishes numerical goals for HOC contractors and their subcontractors with regards to Direct Hiring, Contracting Training and other Economic Opportunities. The numerical goals are listed below.

- (1) For Hiring, 30% of new, full-time hires (3 out of 10 new hires) annually should be qualified Section 3 Residents.
- (2) For Contracts
 - a. 10% of the total dollar amount of all Section 3 covered contracts for buildings trades work.
 - b. 3% of the total dollar amount for all other contracts such as professional services.
- (3) For Training and other Economic Opportunities

A copy of the HOC Section 3 Policy, along with recommended administrative forms, is attached hereto for your review and consideration. This policy was presented to the Legislative and Regulatory Committee on March 18, 2014 and to the Resident Advisory Board on March 24, 2014.

ISSUES FOR CONSIDERATION:

Does the Commission wish to adopt this proposed policy?

PRINCIPALS:

Executive Division and Resident Services Division

BUDGET IMPACT:

None.

TIME FRAME:

For action at the April 2, 2014 Commission Meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that Commission adopt the proposed Section 3 policy to provide economic opportunities for HOC and low and very-low income persons throughout Montgomery County.

RESOLUTION:

**RE: Authorization to Adopt
Section 3 Policy**

WHEREAS, The Housing and Urban Development (HUD) Act of 1968 (as amended) established the Section 3 program, which is codified at 24 CFR 135, and establishes a legislative directive to provide new employment, training and contracting opportunities for low and very-low income residents in communities that receive HUD funding for projects; and

WHEREAS, as a public housing agency and the recipient of HUD funding for projects, the Housing Opportunities Commission of Montgomery County (“HOC”) has several responsibilities for developing and implementing a Section 3 policy and program; and

WHEREAS, the Housing Opportunities Commission Section 3 Policy, as last revised and updated on March 18, 2014 (the “Section 3 Policy”), establishes the methods and means by which HOC seeks to satisfy requirements of the legislative directive; and

WHEREAS, the Section 3 Policy was presented to the Resident Advisory Board on March 24, 2014.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission of Montgomery County that it adopts the Section 3 Policy.

I HEREBY CERTIFY that the foregoing resolution was adopted by the Housing Opportunities Commission of Montgomery County at a meeting conducted on April 2, 2014.

S
E
A
L

Patrice Birdsong
Special Assistant to the Commission



SECTION 3 POLICIES AND FORMS

INTRODUCTION

This Policy Statement and Forms Package:

- Sets forth the policy, goals, and preferences of the Montgomery County Housing Opportunities Commission ("HOC") in the administration of its Section 3 program, which is intended to ensure that employment and other economic opportunities generated by certain financial assistance provided by the U.S. Department of Housing and Urban Development ("HUD") shall, to the greatest extent feasible, and consistent with existing Federal, State, and local laws and regulations, be directed to low- and very low-income persons, and to business concerns which provide economic opportunities to low- and very low-income persons;
- Summarizes the standards and procedures to be followed to ensure that the objectives of Section 3 that are set out in 24 C.F.R Part 135 are met and complied with;
- Provides the guidelines for contractors to follow; and
- Contains forms for contractors to demonstrate compliance.

TABLE OF CONTENT

STATEMENT OF PURPOSE	1
DEFINITIONS	2
GOAL STATEMENT	7
SECTION 3 COMPLIANCE REQUIREMENTS	9

STATEMENT OF PURPOSE

The purpose of Section 3 of the Housing and Urban Development Act of 1968, as amended by Section 915 of the Housing and Community Development Act of 1992, is to "ensure that employment and other economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible, and consistent with existing Federal, State, and local laws and regulations, be directed toward low- and very low-income persons, particularly those who are recipients of government assistance for housing, and to business concerns which provide economic opportunities to low- and very low-income persons." Section 915 of the Housing and Community Development Act of 1992 sets forth:

- The types of HUD financial assistance, activities, and recipients subject to the requirements of Section 3;
- The specific individuals and business concerns who are the intended beneficiaries of the economic opportunities generated from HUD-assisted activities; and
- The priority in which individuals and businesses should be recruited and solicited for employment and other economic opportunities generated from HUD-assisted activities.

The HUD regulations at 24 C.F.R Part 135 set forth the requirements of the Section 3 program. The HOC's Section 3 policy is explained in this Policy. The HOC Section 3 procedures and policies may be amended periodically by the Executive Director or his/her designee to insure that the policy requirements are being met, to conform to any changes in the Federal law or regulations that govern the Section 3 program or to bring about efficiencies in the implementation of the program based on practice and experience.

DEFINITIONS

The applicable definitions for HOC's Section 3 program are the same as those set out in HUD's regulations at 24 C.F.R 135. Some of the more relevant terms considered in HOC's administration of the policy are:

COMMUNITY. Area within one-half (1/2) mile radius of propose Section 3 Covered Activity.

CONTRACTOR. Any entity which contracts to perform work generated by the expenditure of section 3 covered assistance, or for work in connection with a section 3 covered project. [note: need to add definition since this term is used elsewhere]

EMPLOYMENT OPPORTUNITIES GENERATED BY SECTION 3 COVERED ASSISTANCE. All employment opportunities generated by the expenditure of Section 3 covered public and Indian housing assistance (i.e., operating assistance, development assistance and modernization assistance, as described in 24 C.F.R. § 135.3(a)(1)).

HOUSING AND COMMUNITY DEVELOPMENT ASSISTANCE Any financial assistance provided or otherwise made available through a HUD housing or community development program through any grant, loan, loan guarantee, cooperative agreement, or contract, and includes community development funds in the form of community development block grants, and loans guaranteed under Section 108 of the Housing and Community Developments Act of 1974, as amended. Housing and Community Development Assistance does not include financial assistance provided through a contract of insurance or guaranty.

NEW HIRES. Full-time employees hired for permanent, temporary, or seasonal employment opportunities. Building trades personnel are new hires at the start of each construction project.

RESIDENT OWNED BUSINESS (ROB). A business concern (a) at least 51% owned by one or more public housing residents; and (b) whose management and daily business operations are controlled by one or more such individuals.

SECTION 3. Section 3 of the Housing and Urban Development Act of 1968, as amended (12 U.S.C. § 1701u).

SECTION 3 BUSINESS CONCERN. A Section 3 Business Concern defined as follows:

- i. One that is 51% or more owned by a Section 3 Resident; or
- i. Whose permanent, full-time employees include persons, at least 30% of whom are currently Section 3 Residents, or within three years of the date of first employment with the business concern were Section 3 Residents; or
- ii. That provides evidence of a commitment to subcontract more than 25% of the dollar award of a contract to business concerns that meet the qualifications of paragraphs i and ii above.

SECTION 3 CLAUSE. The contract provisions set forth in 24 C.F.R § 135.38.

SECTION 3 COVERED ACTIVITY. Any activity which is funded by section 3 covered assistance public and Indian housing assistance.

SECTION 3 COVERED ASSISTANCE.

- i. Public and Indian housing development assistance provided pursuant to Sections 5, 9, and/or 14 of the 1937 Act;
- ii. Assistance provided under any HUD housing or community development program that is expended for work arising in connection with housing rehabilitation, construction, or other public construction project (which includes other buildings or improvements, regardless of ownership).

SECTION 3 COVERED CONTRACT. A contract or subcontract (including a professional service contract, but not a contract for materials or supplies that does not include any service component) awarded by a recipient of federal funds.

SECTION 3 COVERED PROJECT. The construction, reconstruction, conversion or rehabilitation of housing (including reduction and abatement of lead-based paint hazards), other public construction which includes buildings or improvements (regardless of ownership) assisted with housing or community development assistance.

SECTION 3 JOINT VENTURE. An association of business concerns, one of which qualifies as a Section 3 Business Concern, formed by written joint venture agreement to engage in and carry out a specific business venture for which purpose the business concerns combine their efforts, resources, and skills for joint profit, but not necessarily on a continuing or permanent basis for conducting business generally, and for which the Section 3 Business Concern:

- i. is responsible for a clearly defined portion of the work to be performed and holds management responsibilities in the joint venture; and
- ii. performs at least 25% of the work and is contractually entitled to compensation proportionate to its work.

SECTION 3 RESIDENT.

(1) A HOC public housing resident; or

(2) An individual who resides in Montgomery County and who is:

- a. A low-income person, who is defined as a family (including single persons) whose income does not exceed 80% of the Area Median Income.
- b. A very low-income person, who is defined as a family (including single persons) whose income does not exceed 50% of the Area Median Income.

GOAL STATEMENT

HOC's goal is to ensure economic and training opportunities generated by HUD financial assistance for housing and community development programs are directed towards our client population, particularly those who are recipients of government-assisted housing and business concerns that provide economic opportunities for low income persons.

As a recipient agency, HOC is required to ensure their own compliance and the compliance of their contractors and subcontractors with the Section 3 regulations at 24CFR Part 135.32 including:

- Implement procedures to ensure that all parties comply with Section 3
 1. Facilitate training and employment of Section 3 residents
 2. Facilitate award of contracts to Section 3 businesses
 3. Incorporate the Section 3 clause into all covered solicitations and contracts
 4. Ensure contractor and subcontractor awareness of Section 3 goals and responsibilities
 5. Ensure compliance and meet numerical goals
 - Assess hiring and subcontracting needs
 - Monitor contractor compliance
 - Assist and actively cooperate with HUD to obtain compliance
 6. Penalize non-compliance
 7. Provide incentives for good performance
 8. Refrain from contracts with contractors who previously failed to comply
 9. Document all actions taken to comply with Section 3 requirements
 10. Submit Section 3 annual summary report (HUD form 60002)

HOC and its Contractors (and their respective subcontractors) can achieve compliance with this Section 3 Policy by several means. Several of these options can be combined to achieve the desired outcome. There are three (3) ways in which Section 3 can be fulfilled:

1. Hiring
2. Contracting
3. Training and Other Economic Opportunities.

If a Contractor cannot achieve Section 3 goals by utilizing a single option, then it can use a combination of options to achieve the desired outcome. The options are discussed below in order of preference. A contractor may only exercise Option 3 – Training and Other Economic Opportunities after it has demonstrated it has exhausted all other efforts to achieve compliance through Hiring and Contracting.

Direct Hiring & Training

30% of a Contractor's (or subcontractor's) aggregate new hires are Section 3 Residents. HOC has a database of properly screened residents who are available for employment. HOC prefers that direct hires be HOC public housing residents.

- i. HOC Contractors and their respective subcontractors may demonstrate compliance with this part by committing to employ Section 3 Residents as **30% of the aggregate number of New Hires.**

Contracts

The numerical goals set forth below apply to contracts awarded in connection with all Section 3 Covered Projects. HOC and each of **its contractors and subcontractors** **may** demonstrate compliance with the requirements of this part **by committing to award to Section 3 Business Concerns**:

1. At least 10% of the total dollar amount of all Section 3 Covered contracts for building trades work for maintenance, repair, modernization or development of public housing, or for building trades work arising in connection with housing rehabilitation, housing construction and other public construction; and
2. At least 3% of the total dollar amount of all Section 3 Covered Contracts.
3. HOC or its Contractors may contract directly with a Section 3 Business Concern or contract with Contractors that subcontract to a Section 3 Business Concern to satisfy the Section 3 contracting goal.

Training and Other Economic Opportunities

If the Contractor can show that it was not feasible to achieve Section 3 compliance through one of the two options listed above, it may provide training and other economic opportunities to HOC residents. Firms may provide other economic opportunities or make cash contributions to train and employ Section 3 Residents. HOC has established the following minimum threshold requirements for contribution to funds that provide other economic opportunities:

- 1) For trade, construction and rehabilitation work, the "value" of the other economic opportunity must equal or exceed 5% of the total contract amount plus any modifications to price;
- 2) For other types of contracts, including service contracts, the "value" of the other economic opportunity must equal or exceed 3% of the total contract amount plus any modifications to price.

Refer to Page 12 for Additional Details on Other Economic Opportunities

SECTION 3 COMPLIANCE REQUIREMENTS

Assuring Compliance with Section 3 policies requires affirmative measures of all involved parties. [In addition to meeting the Federal compliance requirements under 24 CFR 135,] HOC's Contractors and their respective subcontractors must make efforts are required to provide economic opportunities to Section 3 residents and businesses. Contractors and subcontractors who fail to comply with HOC's Section 3 policies will be subject to penalties and sanctions identified in this policy.

To ensure compliance, Contractors and their respective subcontractors must:

1. Submit a Section 3 Utilization plan reflective of HOC's Section 3 goals
2. Implement an approved Section 3 Plan meeting the approved Section 3 goals (hiring, contracting, and/or other economic opportunities)
3. Document all aspects of implementation of their approved Section 3 Plan
4. Maintain records in accordance with the requirements of the Section 3 funding source and make them available to HOC for monitoring/compliance reviews
5. Submit required reports in a timely manner. Contractors and their subcontractors will be required to submit a Section 3 report at the time a request for payment is submitted.

Hiring Compliance Guidelines

New hires are defined as full-time employees hired for permanent, temporary, or seasonal employment. Building trades personnel are considered to be new hires at the start of each construction project. A contractor is required to hire only when a new hire is needed to perform the work. If no new hires are needed, vendors must pursue other avenues of compliance as set forth in HOC's preference tier structure.

Additionally, HOC also has an overall employment goal that 30% of all new hire hours be assigned to Section 3 residents. Contractors should give serious consideration to hiring Section 3 Residents for work on projects other than Section 3 Covered Projects. Efforts shall be directed to provide training and employment opportunities to Section 3 Residents in the following order of priority:

- 1) Residents of the HOC development or developments where the covered assistance is expended.
- 2) All other low- and very low-income persons within Montgomery County.

In situations where a new hire is needed, a contractor will not be required to hire persons who are not qualified. If a new hire is needed and a Section 3 Resident is identified, that Section 3 Resident will be required to submit evidence of Section 3 status to HOC, contractor or subcontractor.

As part of each bid or proposal submitted, the respondent must complete a Section 3 Hiring Plan that forecasts how it intends to achieve its Section 3 goals. Each Contractor is required to attend a post-award meeting where contractual obligations

related to Section 3 compliance will be explained in greater detail and the Section 3 Utilization Plan will be finalized. Contractors must comply with the Section 3 requirements throughout the life of the contract. HOC will conduct periodic quality assurance checks to verify continued compliance. Forms that will be used to report and monitor Section 3 Compliance can be found in the appendix to this policy.

If a Section 3 Resident is employed for less than the duration of the job commitment, Contractors must ensure that the overall economic opportunity thresholds are met, at the following amounts:

- 5% of the actual contract amount (plus modifications) if for trade, construction and rehabilitation work;
- 3% of the actual contract amount (plus modifications) if for other, non-construction contracts

Contracting Compliance Guidelines

The Section 3 regulations, at 24 C.F.R Part 135, provide that the HOC, its contractors and subcontractors may demonstrate compliance by awarding contracts to Section 3 business concerns or to persons who contract with those firms.

HOC's contracting goals require that Section 3 firms receive at least:

- i. 10% of the total dollar amount of all Section 3 covered contracts for building trades work for maintenance, repair, modernization or development of public housing, or building trades work arising in connection with housing rehabilitation, housing construction and other public construction; or
- ii. 3% of the total dollar amount of all other Section 3 covered contracts.

Goals apply to the entire amount of Section 3 covered assistance awarded to HOC in any calendar year, January 1st to December 31st. HOC's goals apply to the total dollar amount of each contract, plus any modifications.

Business Concerns claiming Section 3 status based on ownership and workforce or only on workforce must meet that status at the time the bid or proposal is submitted to HOC (or the Contractor), and shall be required to provide evidence of that status. Anyone claiming to be a Section 3 Resident or Section 3 Business Concern shall be required to provide evidence of that status.

If a business concern claims Section 3 status by virtue of workforce composition, documentation of the 30% workforce requirement must be submitted to the HOC (or the Contractor) as part of the response to the bid, quote, or proposal. Further, the firm must maintain the Section 3 workforce percentage throughout the life of the contract (or subcontract). Workforce composition is subject to audit by HOC.

Contractors that choose to award subcontracts to Section 3 Business Concerns must require that the Section 3 Business Concern subcontractor(s) provide ownership or workforce documentation as applicable. The prime Contractors must keep such records on file and available for review by HOC. Such documentation must also be submitted as part of any bid, quote or proposal.

OTHER ECONOMIC OPPORTUNITIES

If a Contractor decides to satisfy its Section 3 Requirements by providing other economic opportunities [after determining that it is not reasonably feasible to comply with Section 3 through employment and contracts,] then the following provisions apply.

Contract Values

For contracts valued at \$100,000 or more, other economic opportunities may only be used where a Contractor (or subcontractor) cannot comply with the hiring or subcontracting goals set forth above. For contracts valued under \$100,000, other economic opportunities may be used at any time.

Internships - the vendor may provide youth and/or adult internship or externship opportunities for HOC residents. The value of the internship or externship must equal or exceed the threshold requirements established below.

Part-Time Employment - Contractors may provide part-time work for HOC residents. The hours of part-time work when converted to dollars must equal or exceed the threshold requirements established below.

Training Related - Contractors may provide paid training opportunities for HOC residents (especially on-the-job training). Opportunities should fall under one or more of the following categories:

- a) Life skills/job-based skills - budgeting, resume writing, interview techniques, etc.;
- b) Employment skills - applied training such as forklift operation or truck driving training;
- c) Business development - entrepreneurship and small business training skills.

Threshold requirements for other economic opportunities:

HOC has established the following minimum threshold requirements for use of other economic opportunities:

1. For trade, construction and rehabilitation work the "value" of the other economic opportunity must equal or exceed 5% of the total contract amount plus any modifications;
2. For other types of contracts, including service contracts, the "value" of the other economic opportunity must equal or exceed 3% of the total contract amount plus any modifications.

BID OR PROPOSAL EVALUATION

Vendors who fail to address Section 3 requirements may be deemed nonresponsive. To avoid being nonresponsive, the proposal or bid documents submitted to HOC must include the Contractor's Affidavit and Compliance Commitment, along with all applicable attachments and supporting documentation, in the proposal or bid documents submitted to the HOC.

A vendor who fails to address Section 3 requirements sufficiently may receive a written notice from the HOC specifying the defects in the Section 3 information. Vendors receiving such notice will be given no more than 5 business days to address the deficiencies and provide all required documents. Failure to respond within the 5 days will result in HOC declaring the bidder or respondent non-responsive. The contract or bid will then be awarded to the next lowest bidder or to the respondent with the next highest score. Where the selection is qualifications based procurement, HOC will award to the firm that is the next highest ranked.

ASSURING COMPLIANCE WITH SECTION 3 POLICIES

Assuring Compliance with Section 3 policies involves affirmative measures on the part of many. Contractors, subcontractors and developers are required to provide economic opportunities to Section 3 residents and businesses pursuant to 24 CFR Part 135. Contractors, subcontractors, and developers whom refuse to comply with HOC's Section 3 policies will be subject to the penalties and sanctions identified herein.

To ensure compliance Contractors, subcontractors and developers must:

- Submit a Section 3 Hiring Plan reflecting of HOC's stated Section 3 goals
- Implement an approved Section 3 Plan meeting the approved Section 3 goals (hiring, training, and contracting)
- Document all aspects of implementation of their approved Section 3 Plan
- Records should be maintained and available for monitoring/compliance reviews
- Submit required reports in a timely manner.

SECTION 3 COORDINATOR'S RESPONSIBILITIES:

HOC will designate a Section 3 Coordinator to ensure businesses are in compliance with HOC's Section 3 policy. The Section 3 Coordinator will be dedicated to ensuring certified businesses and contractors awarded contracts are in compliance with HOC's Section 3 guidelines and that local residents are identified and provided employment opportunities on Section 3 funded projects. In addition, the Section 3 Coordinator will manage education and outreach efforts and other activities that ensure HOC meets its Section 3 obligations.

The Section 3 Coordinator leads HOC's review of Section 3 Plans and provides review findings within 7 business days. All approved Section 3 Plans will become an essential component of any commitment of funds by HOC and any contractual relationship. The Section 3 Coordinator is available to provide technical assistance to the contractor, subcontractor, developer, and others during the process of developing a Section 3 Plan.

The Section 3 Coordinator will be responsible for overseeing the implementation of all Section 3 plans, which are approved by HOC and become part of the contract. Contracts will be vigorously monitored by the Section 3 Coordinator. Failure to fulfill contractual obligations with HOC pursuant to the Section 3 Plan can be construed as a breach of contract and can result in a penalty or other sanctions.

The Section 3 Coordinator will work to ensure a comprehensive and seamless implementation process that compliments other Agency procurement diversity programs. The Coordinator will also ensure that HOC's hiring processes are in compliance with Section 3, In addition, the designated staff person will be responsible for providing technical support to the awarding departments and their contractors, subcontractors, developers, and/or sub-recipients.

Refusal to Comply

In the event of the contractor, subcontractor, developer or sub-recipient refuses to comply with the Section 3 provisions of the contract, including employment and contracting goals, or with any of the rules, regulations, or orders referred to, it is agreed that HOC, at its option, may apply any or all of the penalties or sanctions listed in this section:

- A. Cancel, terminate, or suspend this contract, in whole or in part.
- B. Declare the contractor or vendor ineligible for further HOC contracts.
- C. Develop a corrective action plan, which will require the contractor or vendor to take deliberate steps to satisfy numerical goals in hiring, contracting or the provision of other economic opportunities.

In instances where there is a change in the scope of work or other unforeseen circumstances beyond the control of the contractor, subcontractor, developer and/or sub-recipient, the HRC may not impose a penalty for failure to meet the Section 3 goal. Penalties cannot be paid from HUD funding sources. Unpaid penalties may result in decertification from the Section 3 program and/or ineligibility to bid on future HOC projects. contractors, subcontractors, developers and/or sub-recipients by set off against the unpaid portion of the contract price.

In instances where there is a change in the scope of work or other unforeseen circumstances beyond the control of the contractor, subcontractor, developer and/or sub-recipient, the HOC may not impose a penalty for failure to meet the Section 3 goal.

APPENDIX

§135.38 SECTION 3 CLAUSE

All section 3 covered contracts shall include the following clause (referred to as the section 3 clause):

A. The work to be performed under this contract is subject to the requirements of section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u (section 3). The purpose of section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted projects covered by section 3, shall, to the greatest extent feasible, be directed to low- and very low-income persons, particularly persons who are recipients of HUD assistance for housing.

B. The parties to this contract agree to comply with HUD's regulations in 24 CFR part 135, which implement section 3. As evidenced by their execution of this contract, the parties to this contract certify that they are under no contractual or other impediment that would prevent them from complying with the part 135 regulations.

C. The contractor agrees to send to each labor organization or representative of workers with which the contractor has a collective bargaining agreement or other understanding, if any, a notice advising the labor organization or workers' representative of the contractor's commitments under this section 3 clause, and will post copies of the notice in conspicuous places at the work site where both employees and applicants for training and employment positions can see the notice. The notice shall describe the section 3 preference, shall set forth minimum number and job titles subject to hire, availability of apprenticeship and training positions, the qualifications for each; and the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.

D. The contractor agrees to include this section 3 clause in every subcontract subject to compliance with regulations in 24 CFR part 135, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 CFR part 135. The contractor will not subcontract with any subcontractor where the contractor has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 CFR part 135.

E. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 CFR part 135 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 CFR part 135.

F. Noncompliance with HUD's regulations in 24 CFR part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

G. With respect to work performed in connection with section 3 covered Indian housing assistance, section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450e) also applies to the work to be performed under this contract. Section 7(b) requires that to the greatest extent feasible (i) preference and opportunities for training and employment shall be given to Indians, and (ii) preference in the award of contracts and subcontracts shall be given to Indian organizations and Indian-owned Economic Enterprises. Parties to this contract that are subject to the provisions of section 3 and section 7(b) agree to comply with section 3 to the maximum extent feasible, but not in derogation of compliance with section 7(b).

SECTION 3 COMPLIANCE FORMS

The following forms should be submitted prior to or at the time of a bid in anticipation of receiving a contract award to document Section 3 efforts and compliance.

- **Form 1 - Section 3 Hiring Plan.** This plan requires the contractor to specify all positions anticipated to be involved in work. Included is a narrative statement regarding plans.
- **Form 2 - Hiring & Contracting Goals Narrative.** This form is used to describe the efforts made in order to comply with Section 3 Hiring and Contracting goals.
- **Form 3 - Contracting Plan Worksheet.** This form lists each contract to be used and applies Section 3 to the contracts
- **Form 4 - Subcontractor Activity.** This form applies if subcontracting will be performed. Subcontractors will be listed, along with Section 3 information.
- **Form 5 - Resident Certification.** This form is to be filled out for each Section 3 Resident currently hired or hired in the future.
- **Form 6 - Section 3 Business Concern Affidavit.** This form provides backup information regarding Section 3 Business Concerns involved in performance of work.



FORM 1 – SECTION 3 HIRING PLAN

JOB CATEGORY	Total # of expected EMPLOYEES in each category	Total # of Expected HOURS in each category	Total # of Expected NEW HIRES in each category	Total # of expected SECTION 3 NEW HIRES in each category	Total # of Staff Hours for Section 3 Employees and Trainees	% of Total Staff Hours for Section 3 Employees and Trainees	Total # of Section 3 Trainees	Expected HIRE DATE(S) of new hires by category (note: there could be more than one date in each category)
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
Professionals:*								
Technicians:**								
Office/Clerical:								
Construction Work by Trade:								
Trade:								
Trade:								
Trade:								
Other:								
Other:								
Other:								
Other:								
Totals: (G)								



FORM-1 (CONT'D)

All awarded contractors who have selected to meet their Section 3 requirements through Direct-Hiring must complete and submit this form to HOC's Compliance Division.

Prime Contractor's Name _____ Contract # _____ PO # _____

JOB TITLE	PAY RATE (PER HOUR, YEAR, ETC.)	APPROXIMATE HIRE DATE	LENGTH OF HIRE (MONTHS)



CONTRACTING PLAN WORKSHEET (if applicable)

FORM-3

List Each and Describe Briefly Subcontractor (A)	Approximate Dollar Value (B)	Construction (C) or Non-Construction (NC) (C)	Section 3 Business Concern (Y/N) (D)
1.	\$		
2.	\$		
3.	\$		
4.	\$		
5.	\$		
6.	\$		
7.	\$		



SUBCONTRACTOR ACTIVITY REPORT (if applicable)

FORM-4

Contract Number: (A)		HUD Funding Source: (B)		Date: (C)	
Contractor: (D)			Address:		
Project Name and Location: (E)				Actual Construction Start Date: (F)	
Name of Subcontractor Complete Address and Tax I.D. Number (G)	Amount of Contract (H)	Section 3 Business Concern (Y/N) (I)	Type(s) of Services Provided (Including Supplies) (J)	Anticipated Start and Completion Date: (K)	
#:	\$			From:	
				To:	
#:	\$			From:	
				To:	
#:	\$			From:	
				To:	
#:	\$			From:	
				To:	



**CERTIFICATION FOR RESIDENT SEEKING SECTION 3 PREFERENCE
IN TRAINING AND EMPLOYMENT (if applicable)**

I, _____, am a legal resident of Montgomery County, and meet the income eligibility guidelines for low-or very low-income person as published by HUD.

My permanent address is:

I have attached the following documentation as evidence of my status:

- Copy of Lease
- Copy or receipt of public assistance
- Copy of Evidence of participation in public assistance program
- Other Evidence.

The last four digits of my social security number are: _____

I have a family size of _____ and my total annual income for the prior calendar year (2013) was \$_____.

I understand that the information above relating to the size and annual income of my family may require validation. I agree to provide upon request documents verifying this information and I authorize my employer to release information required for HUD or HOC to verify my status as a Section 3 Resident.

Under penalty of perjury, I certify that I have voluntarily provided the above information in conjunction with employment on a HUD related project. I attest to the truthfulness of my statements fully understanding that this information is subject to verification by the appropriate federal agencies.

Signature _____

Printed Name _____

Date _____



SECTION 3 BUSINESS CONCERN CERTIFICATION

I, _____, the Contractor or the authorized representative of the Contractor, hereby attests that the Business identified below is a Section 3 Business Concern. I also attest that the proofs supplied and representations made for Section 3 are accurate as required by Section 3 of the U.S. Housing and Urban Development Act of 1968, as amended and the regulations.

Name of Section 3 Business: _____

Contract Number: _____

Dollar Amount of Contract: _____

Contact Person: _____

Phone Number: _____

Project Name: _____

This Section Business Concern is:

- Corporation
- Partnership
- Sole Proprietorship
- Joint Venture

Qualifying Business:

- 51% owned by Section 3 low income residents
- 30% Section 3 low income residents dollar award
- 25% contract work committed to subcontract to Section 3 Business Concerns.

I do certify that the above information is correct.

Signature _____

Printed Name _____

Date _____

Deliberation and/or Action

AUTHORIZATION TO SUBMIT THE FFY 2014 CAPITAL FUND PROGRAM GRANT ANNUAL STATEMENT AND SUPPORTING DOCUMENTATION

APRIL 2, 2014

- The Commission has been notified by the Department of Housing and Urban Development (HUD) that it has been awarded \$1,762,821 as part of the FFY 2014 Capital Fund Program (CFP) grant for Public Housing.
- CFP grant funds are used to make capital improvements to the Commission's public housing stock.
- The award amount is \$10,256 less than the \$1,773,077 received from HUD in FFY 2013.
- HUD has directed the Commission to submit to HUD a revised Capital Fund Grant Annual Statement, a signed Annual Contributions Contract Amendment and a supporting Commission Resolution by April 9, 2014 to reserve the CFP grant funds.
- The Annual Statement details the contemplated expenditure categories of the CFP grant funds.
- Staff recommends that the Executive Director or designee be authorized to submit to the Department of Housing and Urban Development the revised Annual Statement outlining how the CFP grant funds will be expended, the supporting Commission Resolution, and the signed Annual Contributions Contract Amendment.

Site Improvements (Physical Improvements to Sites)	\$50,000.00
Dwelling Structure Improvements (Interior/Exterior Improvements)	\$150,000.00
Debt Service (Seneca Ridge & Waverly House)	\$314,093.00
Grand Total	\$1,762,821.00

ISSUES FOR CONSIDERATION:

Does the Commission wish to authorize the Executive Director or designee to submit to the Department of Housing and Urban Development the FFY 2014 Annual Statement outlining the way the Capital Fund Program grant funds will be expended to make improvements to public housing units, a signed Annual Contribution Contract Amendment, and a supporting Commission Resolution?

PRINCIPALS:

HOC and the Department of Housing and Urban Development

BUDGET IMPACT:

The funds will be restricted to the Public Fund and used solely for public housing capital improvements.

TIME FRAME:

Action at the Commission meeting held April 2, 2014.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Executive Director or designee be authorized to submit to the Department of Housing and Urban Development the revised Annual Statement outlining how the CFP grant funds will be expended, the supporting Commission Resolution, and the signed Annual Contributions Contract Amendment.

RESOLUTION: XX-XX

**RE: Authorization to Submit the
FFY 2014 Capital Fund Program
Grant Annual Statement and
Supporting Documentation**

WHEREAS, the Housing Opportunities Commission will receive \$1,762,821 in FFY 2014 Capital Fund Program grant funds from the Department of Housing and Urban Development; and

WHEREAS, staff has identified \$1,762,821 in needs based upon the Commission's Five Year Capital Fund Program Plan; and

WHEREAS, by submitting the FFY 2014 Annual Statement and the signed ACC Amendment, the Commission is agreeing that capital and management activities will be carried out in accordance with all HUD regulations.

NOW, THEREFORE, BE IT RESOLVED by the Housing Opportunities Commission that the Executive Director or designee is hereby authorized to submit to the Department of Housing and Urban Development the FFY 2014 Annual Statement (the work plan) outlining how the Capital Fund Program grant funds will be expended to make improvements to public housing units, the signed Annual Contributions Contract Amendment in the amount of \$1,762,821 and supporting Commission Resolution.

I HEREBY CERTIFY that the foregoing resolution was adopted by the Housing Opportunities Commission at a meeting conducted on April 2, 2014.

**S
E
A
L**

**Patrice Birdsong
Special Assistant to the Commission**

Annual Statement/Performance and Evaluation Report
Capital Fund Program, Capital Fund Program Replacement Housing Factor and
Capital Fund Financing Program
3/31/2014

Part I: Summary

PHA Name: Housing Opportunities Commission of Montgomery County	Grant Type and Number Capital Fund Program Grant No.: MD39-P004-501-14 Date of CFFP:	Replacement Housing Factor Grant No:	FFY of Grant: 2014 FFY of Grant Approval:
--	--	--------------------------------------	--

Type of Grant

Original Annual Statement
 Reserve for Disasters/Emergencies
 Revised Annual Statement (revision no.: _____)
 Performance and Evaluation Report for Program Year Ending _____
 Final Performance and Evaluation Report

Line No.	Summary by Development Account	Total Estimated Cost		Total Actual Cost (2)	
		Original	Revised (1)	Obligated	Expended
1	Total Non-CFP Funds and Bond Proceeds	1,125,000.00			
2	1406 Operations (may not exceed 20% of line 20)				
3	1408 Management Improvements	181,040.00			
4	1410 Administration (may not exceed 10% of line 20)	176,282.10			
5	1411 Audit				
6	1415 Liquidated Damages				
7	1430 Fees and Costs	891,405.90	0.00		
8	1440 Site Acquisition				
9	1450 Site Improvement	50,000.00			
10	1460 Dwelling Structures	150,000.00			
11	1465.1 Dwelling Equipment-Nonexpendable				
12	1470 Non-dwelling Structures				
13	1475 Non-dwelling Equipment				
14	1485 Demolition				
15	1492 Moving to Work Demonstration				
16	1495.1 Relocation Costs				
17	1499 Development Activities				
18a	1501 Collateralization or Debt Service paid by PHA	314,093.00			
18b	9000 Collateralization or Debt Service paid by Via System of Direct Payment				
19	1502 Contingency (may not exceed 8% of line 20)				
20	Amount of Annual Grant (Sum of lines 2 - 19)	1,762,821.00	0.00	0.00	0.00
21	Amount of line 20 Related to LBP Activities	0.00			
22	Amount of line 20 Related to Section 504 Compliance	0.00			
23	Amount of line 20 Related to Security - Soft Costs	0.00			
24	Amount of line 20 Related to Security - Hard Costs	0.00			
25	Amount of line 20 Related to Energy Conservation Measures	0.00			

Signature of Executive Director: Stacy L. Spann, Executive Director Date	Signature of Public Housing Director Date
---	--

PRESENTATION OF THE EXECUTIVE DIRECTOR'S FY'15-16 RECOMMENDED BUDGET

April 2, 2014

- **The Executive Director's FY'15-16 Recommended Budget will be presented at the Commission meeting.**
- **The Recommended Operating Budgets for FY'15-16 are \$246.7 million and \$251.4 million, respectively.**
- **The Recommended Capital Budgets for FY'15-16 are \$60.5 million and \$63.0 million, respectively.**
- **The Budget, Finance and Audit Committee will review this budget proposal in detail and recommend the FY'15-16 Budgets, as amended, to the full Commission for adoption at the June 4, 2014 Commission meeting.**

MEMORANDUM

TO: Housing Opportunities Commission

VIA: Stacy L. Spann, Executive Director

FROM: Staff: Gail Willison Division: Finance Ext. 9480
 Terri Fowler Division: Finance Ext. 9507
 Maria Montero Division: Finance Ext. 9612

RE: Presentation of the Executive Director’s FY’15-16 Recommended Budget

DATE: April 2, 2014

STATUS: Consent [] Deliberation [X] Future Action []

OVERALL GOAL & OBJECTIVE:
To present the Executive Director’s FY’15-16 Recommended Budget.

BACKGROUND:

Overview

The FY’15-16 HOC Budget reflects the progress of HOC from an agency reliant on public funding to one on a path to financial stability. Despite some challenging externalities, HOC continues to make significant progress towards this new model.

The Agency continues to seek avenues to reduce reliance on federal and other public monies. In FY’14, HOC successfully applied to participate in the Rental Assistance Demonstration (RAD) program. The RAD program will allow HOC to convert existing multifamily Public Housing properties to a more secure project-based voucher subsidy.

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

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

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

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

The impact in FY'14 from sequestration was significant but not as damaging as projected due to Congressional efforts to avoid secondary sequestration measures from moving forward. However, the regulatory environment continues to require administrative measurements that are largely unnecessary in light of funding reductions. HOC must continue to communicate opportunities for improved efficiencies both to our elected officials and our partners at the U.S. Department of Housing and Urban Development.

In Annapolis, lawmakers are faced with similar fiscal challenges and FY'14 had its share of both accomplishment and disappointment. Governor O'Malley's Rental Housing Works (RHW) initiative passed the House of Delegates in late February. The RHW legislation is important for HOC and agencies across the state because it greatly simplifies the process for application and participation in the many programs available through the Maryland Department of Housing and Community Development (MDHCD). However, Public Housing Authorities continue to press officials at the MDHCD to ensure favorable treatment and access to the RHW capital without additional requirements. After a very promising start, the Maryland HOME Act was abandoned for this legislative session after advocates and landlord groups were unable to successfully negotiate a compromise bill. The HOME Act seeks to create a new statewide law which would codify a law already on the books in Montgomery County which prohibits discrimination in rental applications based on source of income.

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

FY 2014

In FY'14, HOC continued to evolve towards the new business model envisioned in the Agency's Strategic Plan.

Over the past year, HOC has made considerable progress with the conversion of the disposition units. It is anticipated that by the end of FY'14, more than 500 of the 669 units will have transitioned to voucher funding.

In FY'14, HOC opened ten Housing Unit Based (HUB) offices located throughout the County. These offices allow the Agency to collect rent, process paperwork and provide maintenance service closer to where our clients live. In addition to the improved service response times, HOC will realize savings in fuel consumption across our entire fleet of vehicles.

Clients also benefited in FY'14 from the launch of 22 cloud-based computing centers. HOC is the first Public Housing Authority in the nation to offer such a service. More than 2,000 households are now able to search for employment, complete homework assignments and improve overall computer proficiency. The launch of the cloud centers will also support the next phase of the HOC Academy, which will deliver robust educational and employment training opportunities for clients. All of this is accomplished without increasing the Agency's capital expenses.

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

In FY'14, HOC scored major successes through partnerships with Eakin, Youngentob and Associates (EYA) and Lee Development Group to redevelop the Chevy Chase Lake and Elizabeth House properties, respectively. The partnership with EYA, in which the Agency negotiated the sale of a portion of the site to EYA, is projected to yield \$19-24 million for HOC. Redevelopment plans for the site will almost triple the number of HOC owned units and nearly quadruple the number of affordable units on site from its current configuration. The successful transaction and development plan for Chevy Chase Lake provide a strong blueprint for the future redevelopment of HOC owned properties. Additionally, the partnership with the Lee Development Group allows us to transform and completely reposition an aging and functionally obsolete property sorely in need of new systems and operating life.

FY 2015-2016

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

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

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

ISSUES FOR CONSIDERATION:

The Recommended Operating Budget for FY'15-16 is \$246.7 million and \$251.4 million, respectively. In addition, the Capital Budget for FY'15-16 is \$60.5 million and \$63.0 million, respectively.

As noted above, the FY'15-16 Recommended Budget presented this evening reflects the progress HOC has made in implementing the new model of operating as a "state of the art real estate company with a social mission". This progress has resulted in several new development activities that will provide additional rental income for units that could not previously sustain themselves, generate commitment and development fees that support the Agency and the Opportunity Housing Reserve Fund (OHRF) which provides funding for future development activities, and increase the number of affordable rental units in the County.

The conversion of our Public Housing to voucher supported units enables the Agency to leverage the assets. This will produce the much needed funding to support comprehensive renovations of the properties as well as resources to produce additional affordable housing. In addition, many of the units will generate income that is now unrestricted and can be used to further support the Agency's mission.

These additional revenue streams are crucial to the Agency's financial sustainability as we still face challenges from the impacts of nominal rent increases and rising costs. It is worth noting that the County Executive's Voluntary Rent Guideline was recently reduced from 4% to 1.5%.

Although the FY'15-16 Recommended Budget is balanced without the use of reserves, it does include fees from development activity that are one time in nature. Therefore, the development of the budget required each division to continue the practice of monitoring discretionary spending and introducing appropriate cost savings measures to ensure the long term viability of the Agency. It is likely that additional plans for cost containment and re-envisioning of business practices will be implemented before the budget is adopted.

Detailed discussions will be held with the Budget, Finance and Audit Committee during April and May. During these meetings, the specifics of each division and/or department will be discussed. It should be noted that we anticipate significant changes between the Recommended Budget and the Adopted Budget.

BUDGET IMPACT:

None for FY'14. This budget, when adopted in June, will set the financial plan for the Agency for FY'15-16.

TIME FRAME:

During April and May, the Budget, Finance and Audit Committee will review this budget proposal in detail and recommend the FY'15 Budget, as amended, to the full Commission for adoption at the June 4, 2014 Commission meeting. The Commission needs to adopt a budget for FY'15-16 before the fiscal year begins on July 1, 2014.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

No action is asked of the Commission at this meeting. The following is the meeting schedule for the review and adoption of the FY'15-16 Budget: April 17th, April 23rd, May 5th, May 8th, and May 15th. All meetings will be held in the Hearing Room.

The Budget, Finance and Audit Committee will present the revised FY'15-16 Budget to the full Commission for adoption at the June 4, 2014 Commission Meeting.

Spreadsheets Highlighting FY'15-16 Recommended Operating and Capital Budgets

Enclosure 1

Overview - Revenue and Expense Summary

Fund Summary Overview	FY 2015 Recommended Budget		
	Revenues	Expenses	Net
General Fund	\$20,393,400	\$21,584,990	(\$1,191,590)
Multifamily Bond Funds	\$24,548,570	\$24,548,570	\$0
Single Family Bond Funds	\$15,028,810	\$15,028,810	\$0
Opportunity Housing Fund			
Opportunity Housing Reserve Fund (OHRF)	\$1,845,420	\$1,080,640	\$764,780
Restrict to OHRF	\$0	\$764,780	(\$764,780)
Opportunity Housing & Development Corporation Properties	\$73,734,580	\$71,988,750	\$1,745,830
Public Fund			
Public Housing Fund	\$4,255,250	\$4,732,250	(\$477,000)
County Contributions towards Public Housing	\$477,000	\$0	\$477,000
Housing Choice Voucher Program	\$91,267,430	\$92,690,380	(\$1,422,950)
County Contributions towards HCVP Administration	\$868,710	\$0	\$868,710
Federal, State and County Grants	\$14,300,640	\$14,300,640	\$0
TOTAL - ALL FUNDS	\$246,719,810	\$246,719,810	\$0

FY 2015 Revenue and Expense Statement

Operating Budget		Non-Operating Budget	
Operating Income		Non-Operating Income	
Tenant Income	\$74,520,310	Investment Interest Income	\$36,570,400
Non-Dwelling Rental Income	\$744,320	FHA Risk Sharing Insurance	\$573,150
Federal Grant	\$98,339,470	Transfer Between Funds	\$5,896,500
State Grant	\$173,690		
County Grant	\$9,280,620		
Management Fees	\$20,219,500		
Miscellaneous Income	\$401,850		
TOTAL OPERATING INCOME	\$203,679,760	TOTAL NON-OPERATING INCOME	\$43,040,050
Operating Expenses		Non-Operating Expenses	
Personnel Expenses	\$37,447,380	Interest Payment	\$42,796,720
Operating Expenses - Fees	\$14,616,030	Mortgage Insurance	\$868,760
Operating Expenses - Administrative	\$7,192,270	Principal Payment	\$8,083,960
Tenant Services Expenses	\$4,227,790	Operating and Replacement Reserves	\$7,458,520
Protective Services Expenses	\$699,710	Restricted Cash Flow	\$8,965,580
Utilities Expenses	\$5,716,160	Development Corporation Fees	\$6,453,530
Insurance and Tax Expenses	\$1,517,260	Miscellaneous Bond Financing Expense	\$1,705,780
Maintenance Expenses	\$7,119,010	FHA Risk Sharing Insurance	\$573,150
Housing Assistance Payments (HAP)	\$86,701,940	Transfer Out Between Funds	\$4,576,260
TOTAL OPERATING EXPENSES	\$165,237,550	TOTAL NON-OPERATING EXPENSES	\$81,482,260
NET OPERATING INCOME	\$38,442,210	NET NON-OPERATING ADJUSTMENTS	(\$38,442,210)

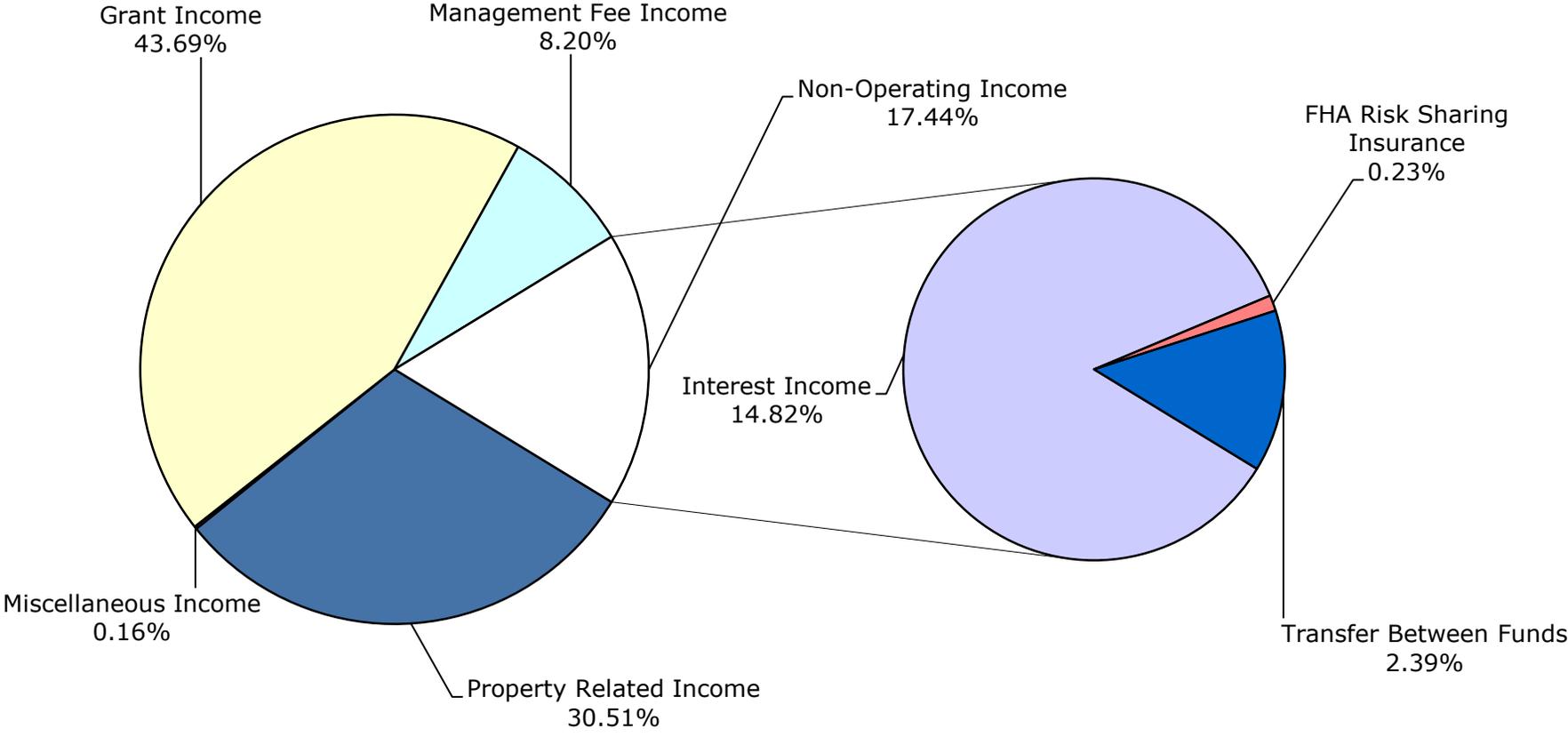
Overview - Revenue and Expense Summary

Fund Summary Overview	FY 2016 Recommended Budget		
	Revenues	Expenses	Net
General Fund	\$22,884,500	\$23,089,570	(205,070)
Multifamily Bond Funds	24,367,250	24,367,250	0
Single Family Bond Funds	14,923,380	14,923,380	0
Opportunity Housing Fund			
Opportunity Housing Reserve Fund (OHRF)	3,383,140	1,138,800	2,244,340
Restrict to OHRF	0	2,244,340	(2,244,340)
Opportunity Housing & Development Corporation Properties	76,075,430	75,063,640	1,011,790
Public Fund			
Public Housing Fund	2,185,120	2,368,120	(183,000)
County Contributions towards Public Housing	183,000	0	183,000
Housing Choice Voucher Program	91,921,190	93,583,500	(1,662,310)
County Contributions towards HCVP Administration	855,590	0	855,590
Federal, State and County Grants	14,642,800	14,642,800	0
TOTAL - ALL FUNDS	\$251,421,400	\$251,421,400	\$0

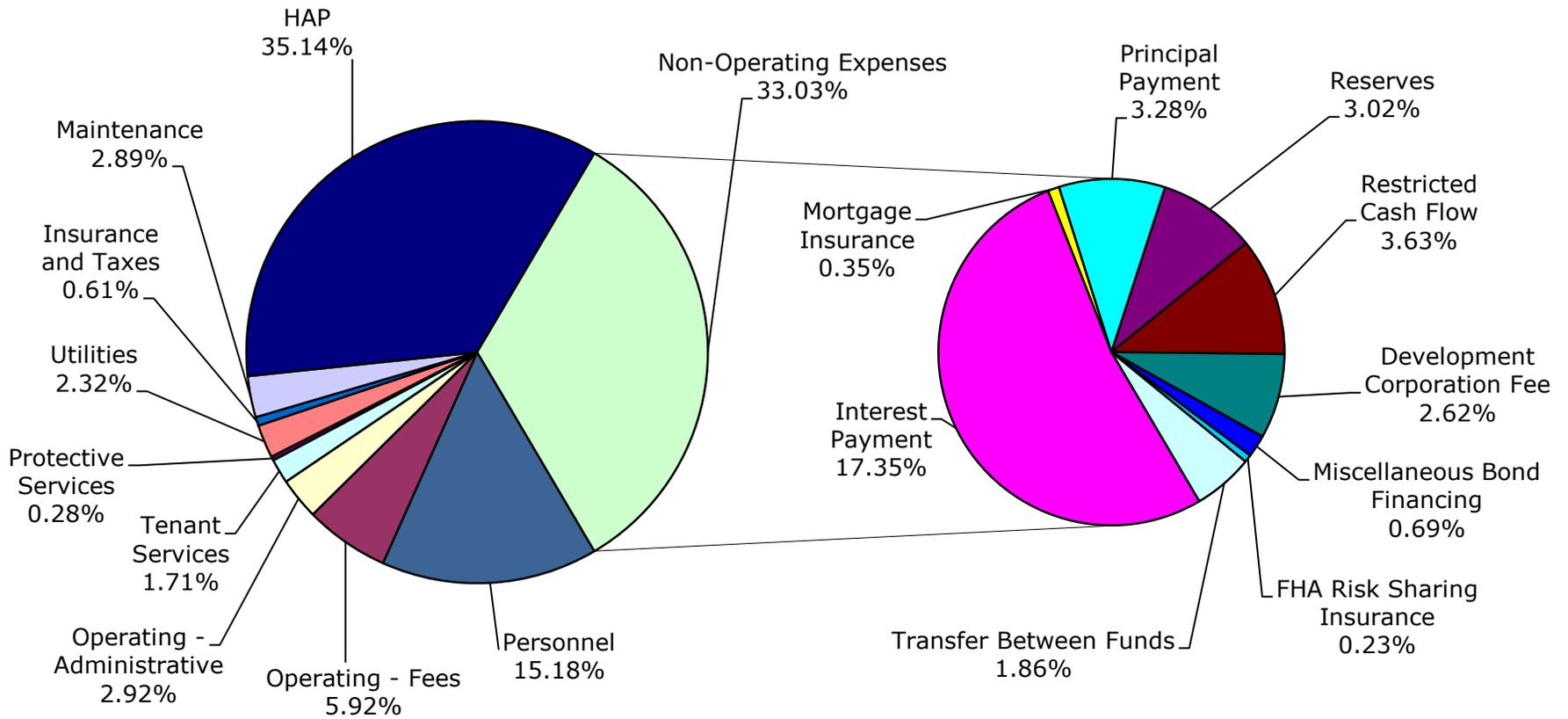
FY 2016 Revenue and Expense Statement

Operating Budget		Non-Operating Budget	
Operating Income		Non-Operating Income	
Tenant Income	\$75,826,060	Investment Interest Income	\$36,082,810
Non-Dwelling Rental Income	\$824,390	FHA Risk Sharing Insurance	\$573,150
Federal Grant	\$97,895,030	Transfer Between Funds	\$5,913,830
State Grant	\$173,690		
County Grant	\$9,558,980		
Management Fees	\$24,136,560		
Miscellaneous Income	\$436,900		
TOTAL OPERATING INCOME	\$208,851,610	TOTAL NON-OPERATING INCOME	\$42,569,790
Operating Expenses		Non-Operating Expenses	
Personnel Expenses	\$38,661,620	Interest Payment	\$42,838,620
Operating Expenses - Fees	\$14,818,850	Mortgage Insurance	\$912,700
Operating Expenses - Administrative	\$7,227,140	Principal Payment	\$8,224,660
Tenant Services Expenses	\$4,277,750	Operating and Replacement Reserves	\$7,923,590
Protective Services Expenses	\$701,400	Restricted Cash Flow	\$10,424,700
Utilities Expenses	\$5,268,300	Development Corporation Fees	\$7,545,350
Insurance and Tax Expenses	\$1,631,620	Miscellaneous Bond Financing Expense	\$1,748,260
Maintenance Expenses	\$6,796,900	FHA Risk Sharing Insurance	\$573,150
Housing Assistance Payments (HAP)	\$87,330,040	Transfer Out Between Funds	\$4,516,750
TOTAL OPERATING EXPENSES	\$166,713,620	TOTAL NON-OPERATING EXPENSES	\$84,707,780
NET OPERATING INCOME	\$42,137,990	NET NON-OPERATING ADJUSTMENTS	(\$42,137,990)

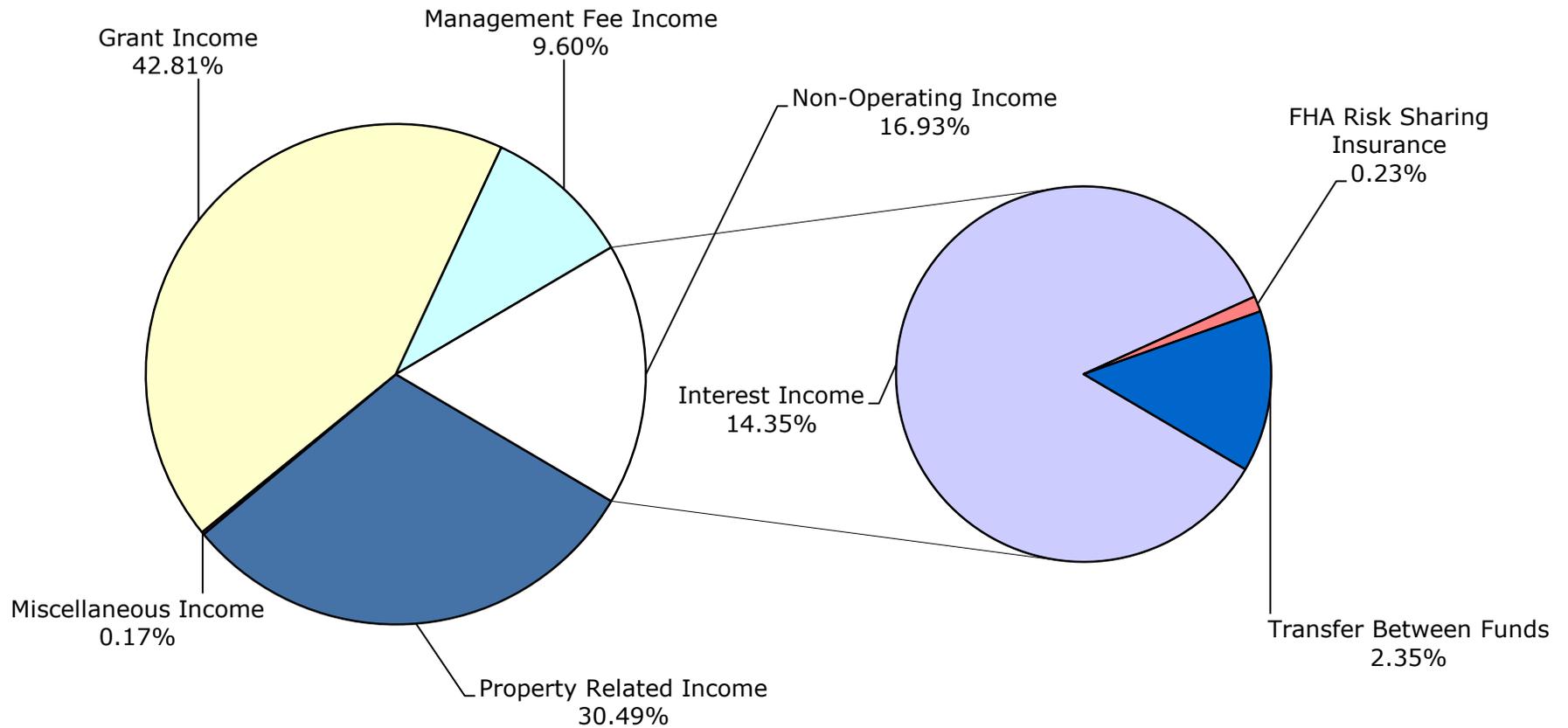
FY 2015 Operating Budget Source of Funds



FY 2015 Operating Budget Use of Funds

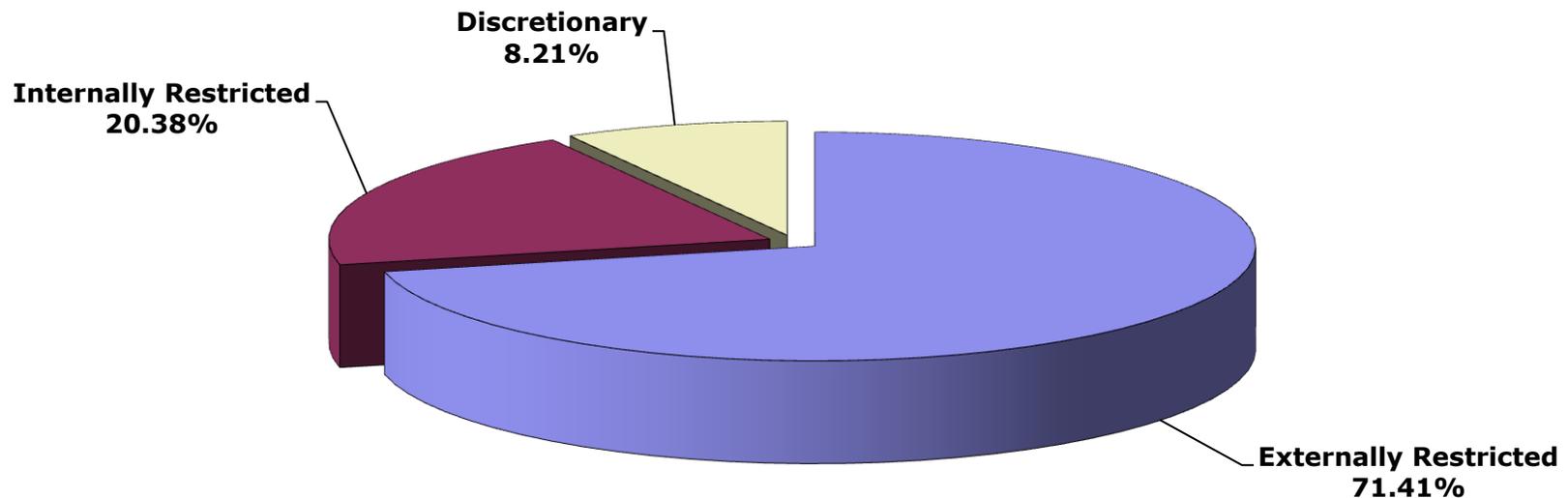


FY 2016 Operating Budget Source of Funds

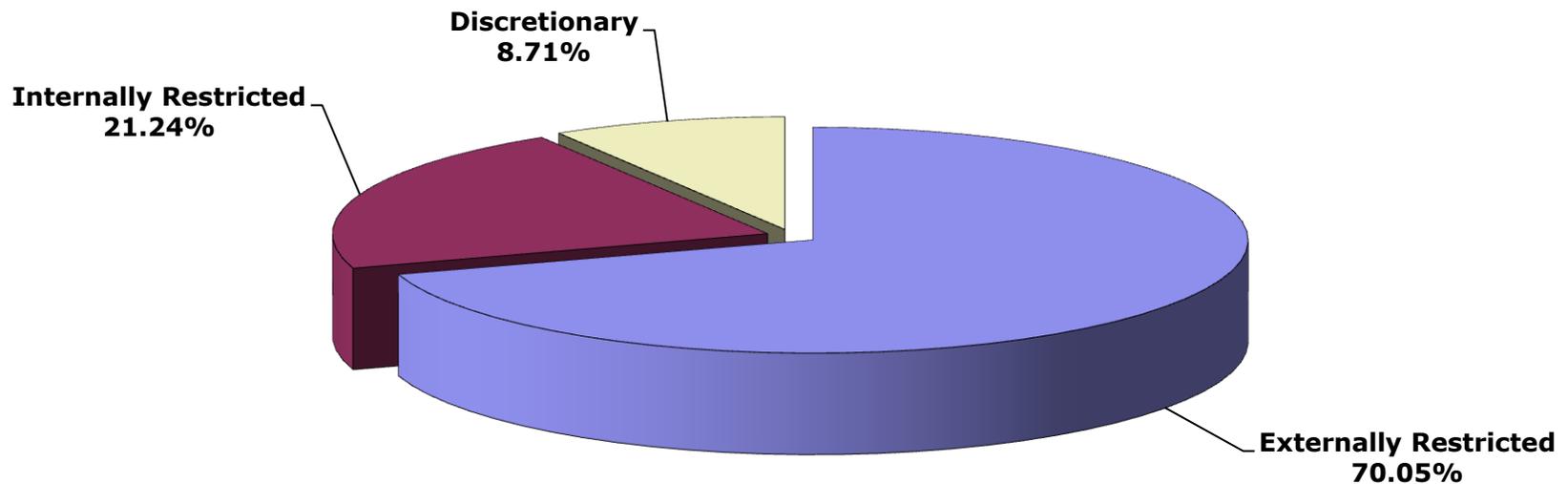


Total Revenue and Expense Statement	FY 2012 Actual	FY 2013 Actual	FY 2014 Amended Budget	FY 2015 Recommended Budget	FY 2016 Recommended Budget
Operating Income					
Tenant Income	\$57,772,519	\$62,025,196	\$64,620,030	\$74,520,310	\$75,826,060
Non-Dwelling Rental Income	\$1,391,745	\$716,390	\$1,077,720	\$744,320	\$824,390
Federal Grant	\$91,558,047	\$95,178,840	\$92,759,790	\$98,339,470	\$97,895,030
State Grant	\$227,930	\$149,476	\$173,690	\$173,690	\$173,690
County Grant	\$7,822,500	\$7,940,570	\$8,694,090	\$9,280,620	\$9,558,980
Management Fees	\$14,010,473	\$15,611,298	\$16,807,540	\$20,219,500	\$24,136,560
Miscellaneous Income	\$317,018	\$329,613	\$413,350	\$401,850	\$436,900
TOTAL OPERATING INCOME	\$173,100,232	\$181,951,383	\$184,546,210	\$203,679,760	\$208,851,610
Operating Expenses					
Personnel Expenses	\$34,078,114	\$35,339,737	\$38,730,290	\$37,447,380	\$38,661,620
Operating Expenses - Fees	\$14,486,605	\$14,354,620	\$14,812,680	\$14,616,030	\$14,818,850
Operating Expenses - Administrative	\$6,306,398	\$7,030,989	\$6,829,630	\$7,192,260	\$7,227,140
Tenant Services Expenses	\$3,659,103	\$3,655,964	\$3,850,250	\$4,227,790	\$4,277,750
Protective Services Expenses	\$852,637	\$775,335	\$721,170	\$699,710	\$701,400
Utilities Expenses	\$6,198,486	\$5,340,499	\$6,374,570	\$5,716,170	\$5,268,300
Insurance and Tax Expenses	\$1,282,790	\$1,414,969	\$1,674,350	\$1,517,260	\$1,631,620
Maintenance Expenses	\$7,301,862	\$7,582,994	\$7,999,690	\$7,119,010	\$6,796,900
Housing Assistance Payments (HAP)	\$79,441,669	\$80,483,375	\$78,145,720	\$86,701,940	\$87,330,040
TOTAL OPERATING EXPENSES	\$153,607,664	\$155,978,482	\$159,138,350	\$165,237,550	\$166,713,620
NET OPERATING INCOME	\$19,492,568	\$25,972,901	\$25,407,860	\$38,442,210	\$42,137,990
Non-Operating Income					
Investment Interest Income	\$36,270,991	\$34,930,160	\$37,058,830	\$36,570,400	\$36,082,810
FHA Risk Sharing Insurance	\$607,957	\$701,487	\$590,420	\$573,150	\$573,150
Transfer Between Funds	\$12,067,988	\$8,299,189	\$8,451,540	\$5,896,500	\$5,913,830
TOTAL NON-OPERATING INCOME	\$48,946,936	\$43,930,836	\$46,100,790	\$43,040,050	\$42,569,790
Non-Operating Expenses					
Interest Payment	\$40,140,421	\$37,046,503	\$42,396,290	\$42,796,720	\$42,838,620
Mortgage Insurance	\$758,485	\$786,964	\$896,300	\$868,760	\$912,700
Principal Payment	\$6,455,366	\$6,839,470	\$7,676,580	\$8,083,960	\$8,224,660
Operating and Replacement Reserves	\$6,603,063	\$6,084,507	\$5,917,710	\$7,458,520	\$7,923,590
Restricted Cash Flow	\$5,890,020	\$8,626,678	\$4,282,940	\$8,965,580	\$10,424,700
Development Corporation Fees	\$2,302,289	\$3,522,399	\$4,720,550	\$6,453,530	\$7,545,350
Miscellaneous Bond Financing Expenses	\$1,244,946	\$3,153,840	\$1,225,750	\$1,705,780	\$1,748,260
FHA Risk Sharing Insurance	\$607,957	\$701,487	\$590,420	\$573,150	\$573,150
Transfer Out Between Funds	\$3,820,220	\$3,075,089	\$3,802,110	\$4,576,260	\$4,516,750
TOTAL NON-OPERATING EXPENSES	\$67,822,767	\$69,836,937	\$71,508,650	\$81,482,260	\$84,707,780
NET NON-OPERATING ADJUSTMENTS	(\$18,875,831)	(\$25,906,101)	(\$25,407,860)	(\$38,442,210)	(\$42,137,990)
NET CASH FLOW	\$616,737	\$66,800	\$0	\$0	\$0

Revenue Restriction (Showing externally placed restrictions)	FY 2015 Recommended Budget			
	Externally Restricted	Internally Restricted	Discretionary	Total
Operating Income				
Property Related Income	\$25,072,670	\$48,446,130	\$1,745,830	\$75,264,630
Federal Grant	\$98,339,470	\$0	\$0	\$98,339,470
State Grant	\$173,690	\$0	\$0	\$173,690
County Grant	\$9,280,620	\$0	\$0	\$9,280,620
Management Fees	\$0	\$1,845,420	\$18,374,080	\$20,219,500
Miscellaneous Income	\$392,350	\$0	\$9,500	\$401,850
TOTAL OPERATING INCOME	\$133,258,800	\$50,291,550	\$20,129,410	\$203,679,760
Non-Operating Income				
Interest Income	\$36,443,260	\$0	\$127,140	\$36,570,400
FHA Risk Sharing	\$573,150	\$0	\$0	\$573,150
Transfer Between Funds	\$5,896,500	\$0	\$0	\$5,896,500
TOTAL NON-OPERATING INCOME	\$42,912,910	\$0	\$127,140	\$43,040,050
TOTAL - ALL REVENUE SOURCES	\$176,171,710	\$50,291,550	\$20,256,550	\$246,719,810

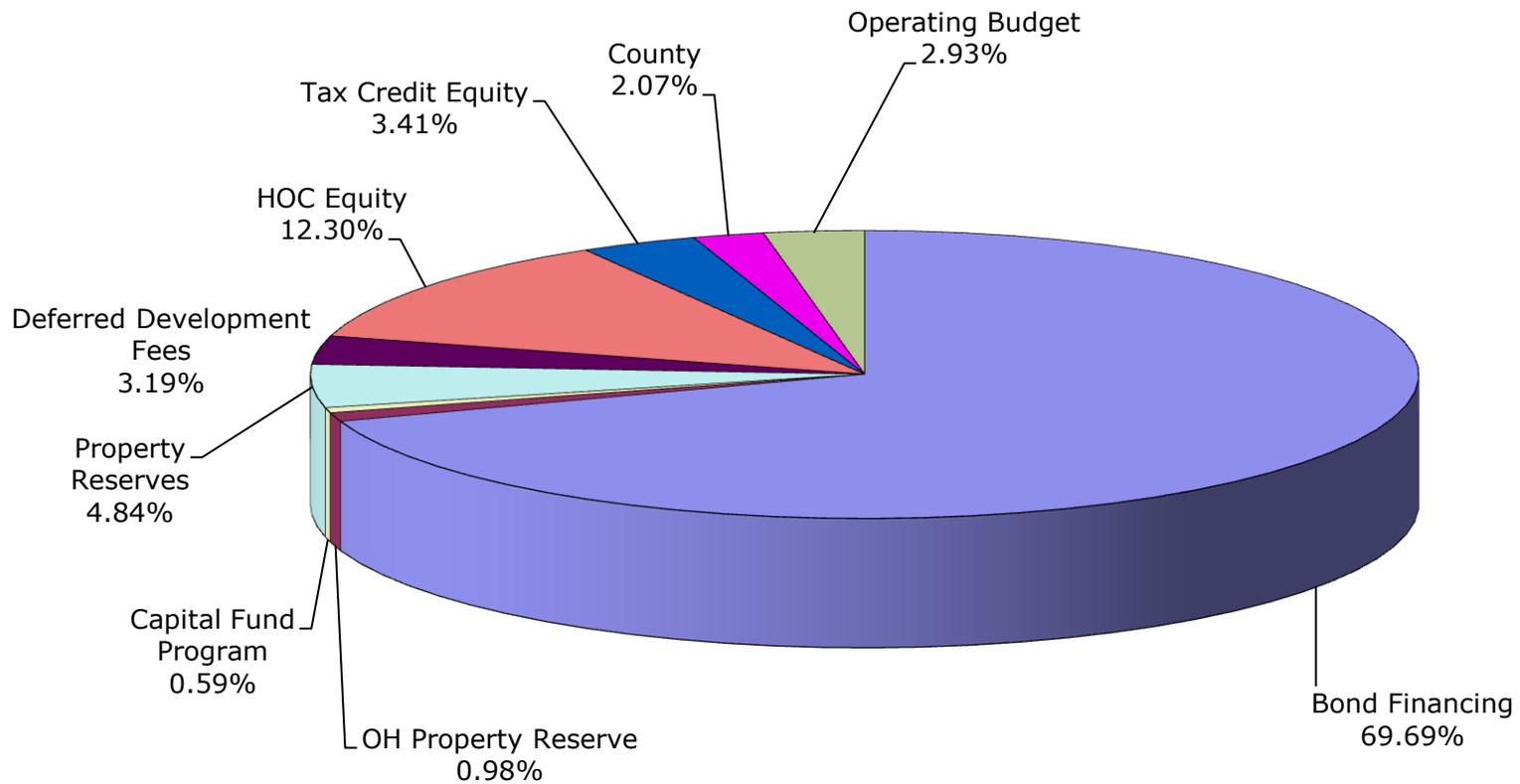


Revenue Restriction (Showing externally placed restrictions)	FY 2016 Recommended Budget			Total
	Externally Restricted	Internally Restricted	Discretionary	
Operating Income				
Property Related Income	\$25,627,360	\$50,011,300	\$1,011,790	\$76,650,450
Federal Grant	\$97,895,030	\$0	\$0	\$97,895,030
State Grant	\$173,690	\$0	\$0	\$173,690
County Grant	\$9,558,980	\$0	\$0	\$9,558,980
Management Fees	\$0	\$3,383,140	\$20,753,420	\$24,136,560
Miscellaneous Income	\$427,400	\$0	\$9,500	\$436,900
TOTAL OPERATING INCOME	\$133,682,460	\$53,394,440	\$21,774,710	\$208,851,610
Non-Operating Income				
Interest Income	\$35,955,670		\$127,140	\$36,082,810
FHA Risk Sharing	\$573,150			\$573,150
Transfer Between Funds	\$5,913,830			\$5,913,830
TOTAL NON-OPERATING INCOME	\$42,442,650	\$0	\$127,140	\$42,569,790
TOTAL - ALL REVENUE SOURCES	\$176,125,110	\$53,394,440	\$21,901,850	\$251,421,400

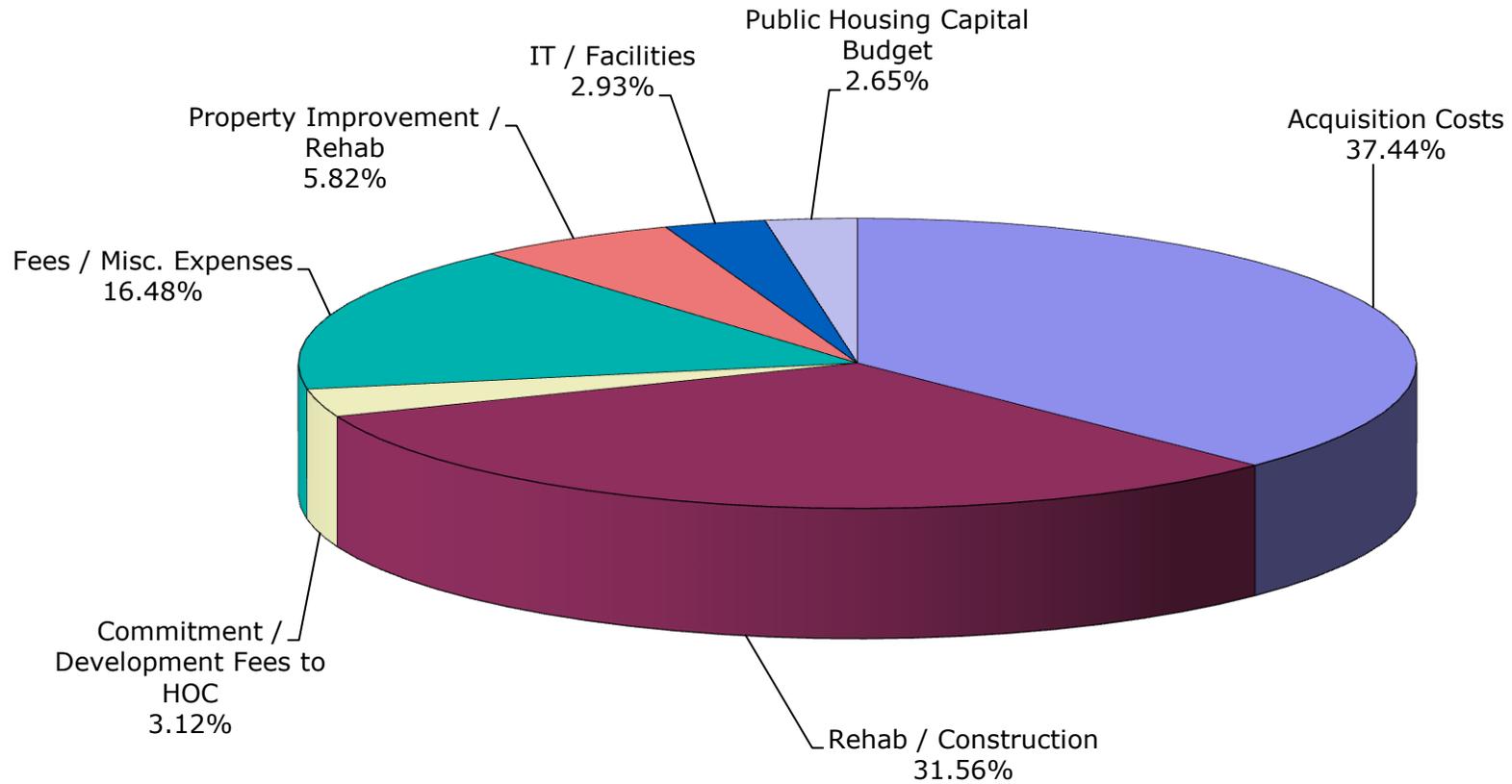


Capital Budget Summary	FY 2015 Recommended Budget	FY 2016 Recommended Budget
Capital Improvements		
East Deer Park	\$81,000	\$81,000
Kensington Office	\$393,300	\$374,900
Information Technology	\$1,298,000	\$1,263,000
Opportunity Housing Properties	\$3,518,432	\$2,953,750
Public Housing Properties	\$1,604,834	\$1,523,323
SUBTOTAL	\$6,895,566	\$6,195,973
Capital Development Projects		
Timberlawn / Pomander Court	\$17,983,721	\$0
Greenhills Apartments	\$19,650,240	\$0
Rental Assistance Demonstration (RAD) Properties	\$15,447,420	\$0
Arcola Towers	\$0	\$25,704,937
Waverly House	\$0	\$29,567,983
Chevy Chase Lake	\$500,000	\$1,500,000
SUBTOTAL	\$53,581,381	\$56,772,920
TOTAL	\$60,476,947	\$62,968,893

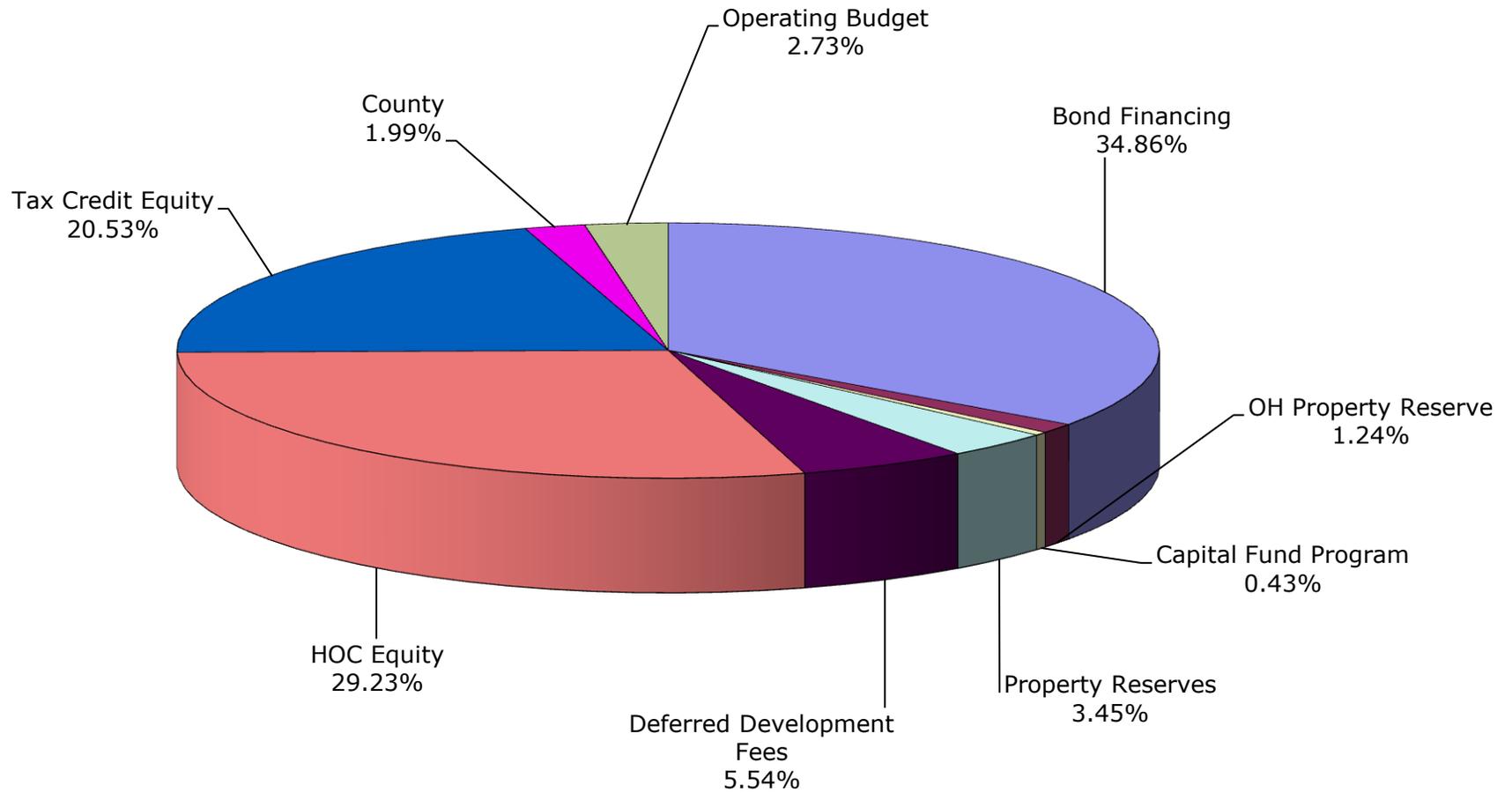
FY 2015 Capital Budget Source of Funds



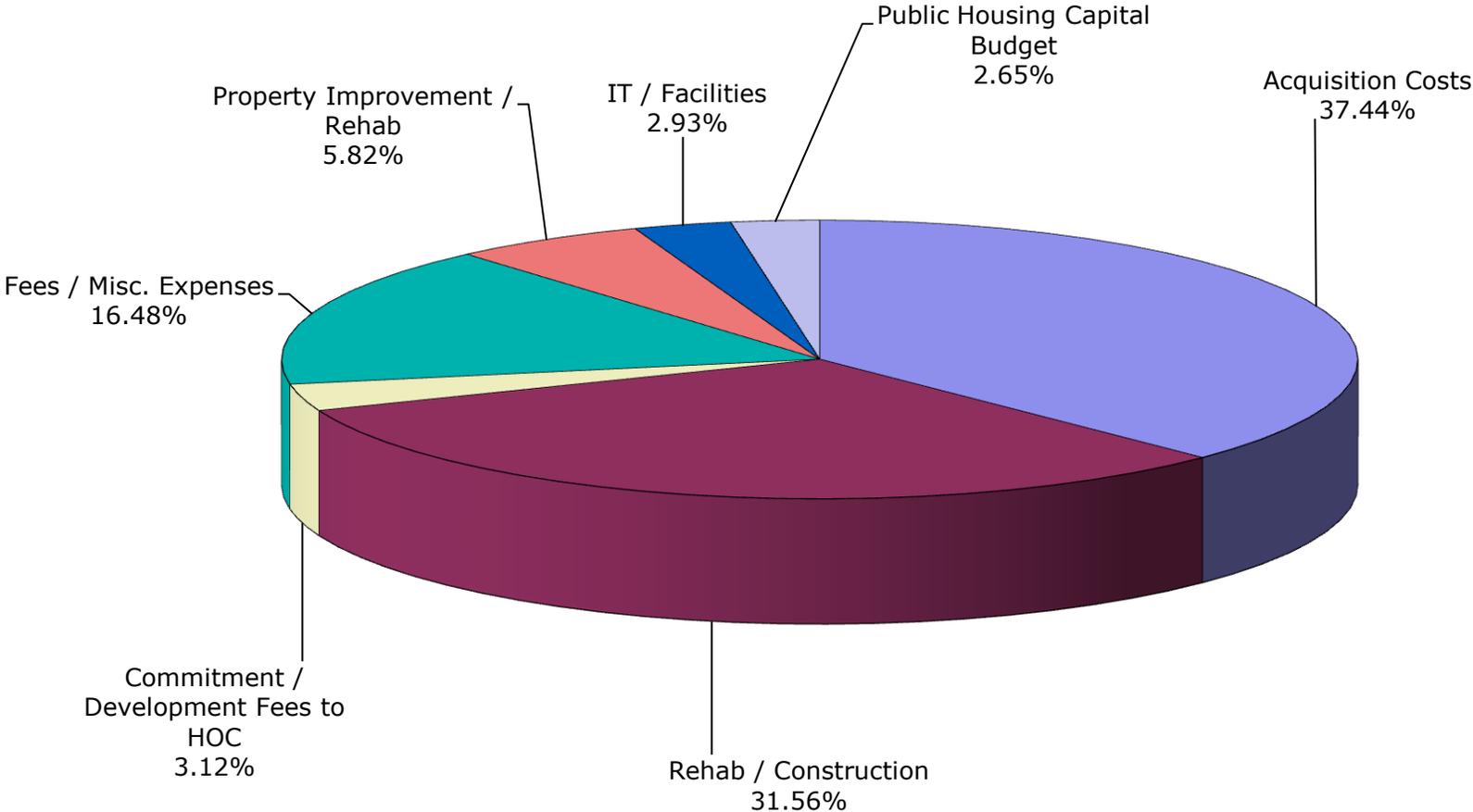
FY 2015 Capital Budget Use of Funds



FY 2016 Capital Budget Source of Funds



FY 2016 Capital Budget Use of Funds



Future Action

BUDGET IMPACT:

None at this time

TIME FRAME:

For Commission action at the May 7, 2014 meeting

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Forthcoming

Information Exchange

New Business

Executive Session Findings

ADJOURN

Executive Session