

MEMORANDUM

January 18, 2011

TO: Planning, Housing and Economic Development Committee
Health and Human Services Committee

FROM: Sue Richards, Senior Legislative Analyst 
Jennifer Renkema, Research Associate 
Office of Legislative Oversight

SUBJECT: **Worksession on OLO Report 2010-9: *An Inventory and Assessment of Housing-Related Programs: Department of Housing and Community Affairs, Department of Health and Human Services, and Housing Opportunities Commission***

On January 20, the Committees will hold a worksession on OLO Report 2010-9. This report provides an inventory of 63 housing programs administered by the Department of Housing and Community Affairs (DHCA), the Department of Health and Human Services (DHHS) and the Housing Opportunities Commission (HOC). The Council formally received and released this report on April 6, 2010. Copies are available online at www.montgomerycountymd.gov/olo and in alternative formats upon request to OLO.

The Council requested this report to provide the basis for an informed discussion about the need for additional research or analysis of County housing programs, with a particular focus on whether similar programs have overlapping or duplicative activities. The report identifies three areas where opportunities to improve coordination may exist: property inspections, rental affordability programs, and service support programs. It offers a series of questions to structure an informed discussion about each of these areas.

On April 23rd, at its worksession on the FY11 Operating Budget, the PHED Committee addressed the questions related to the overlap in property inspection programs, and asked DHCA and HOC to address this issue and report back to the Committee. In a related matter, in September, DHCA, DHHS and HOC briefed the Organizational Reform Commission which is expected to submit its final report January 31.

The following representatives expected to attend today's joint Committee worksession:

- Rick Nelson, Director, Department of Housing and Community Affairs (DHCA)
- Joe Giloley, Division Chief, Housing and Code Enforcement, DHCA
- Dan McHugh, Manager, Housing Code Enforcement, DHCA
- Annie Alston, Executive Director, Housing Opportunities Commission (HOC)
- Tedi Osias, Director, Legislative and Public Affairs, HOC
- Jerry Robinson, Director, Housing Management Division, HOC
- Lillian Durham, Director, Resident Services Division, HOC
- Uma Ahluwalia, Director, Department of Health and Human Services (DHHS)
- Nadim A. Khan, Chief, Special Needs Housing, DHHS

OLO recommends an agenda for the joint Committees worksession that consists of:

- A. Report Briefing (10 minutes)
- B. Agency Comments (10 minutes)
- C. Committee Discussion (20 minutes)
- D. Related Matters (5 minutes)

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A. Report Briefing

The report provides an inventory of housing-related programs administered by DHCA, DHHS and HOC, an assessment of coordination or duplication among similar programs, and a set of discussion questions. See ©1 for a 4-page Executive Summary. At the worksession, OLO will provide a short PowerPoint presentation. Some of the key points from this presentation are:

- In FY10, DHCA, DHHS and HOC delivered 63 housing related programs that collectively accounted for roughly \$300 million in expenditures and 424 workyears.
- The combined operating expenses of the three agencies accounted for two-thirds (\$194M) of total expenditures, and the combined capital expenditures of HOC and DHCA accounted for one-third (\$104M) of these expenditures.
- The funding sources for the inventory’s programs consisted of \$116M of County dollars (39%); \$115M in Federal and State grants (38%); and \$68M in HOC funds (23%).
 - County dollars came from the General and Housing Initiative Funds. They included appropriations to DHCA (\$46.7M); DHHS (\$35.8M) and HOC (\$34.5M). DHHS dollars were for operating expenses whereas DHCA’s and HOC’s appropriations included capital funds.
 - Funding from Federal (\$98.4M) and State (\$16.6M) grant dollars was roughly equivalent to County funding. Grant awards to HOC totaled \$92.6M, including \$86.4M in grants awarded directly to HOC. DHHS’ and DHCA’s awards were \$16.6M and \$5.8M respectively.
 - Funds from tenant income, management fees and other sources contributed 35% of HOC’s funding.

- As a first effort to identify similar programs, OLO classified the inventory into seven categories based on each program's purpose and activities. This exercise showed almost every program shared either a common purpose or common activities with other programs. The number of programs with similar activities ranged from four emergency payment programs to 19 services and support programs.
- The table below provides a distribution of the agencies' program expenditures by category. This shows HOC administers at least one program in every category; at least two agencies administer a program in every category; and, all three agencies administer emergency payment programs.
- The fact that the three agencies administer similar programs does not necessarily indicate program overlap or duplication. OLO's assessment of coordination practices found programs in four categories were well-coordinated and areas in three categories merited further discussion. These areas were the basis for OLO's recommended discussion questions, referenced below in the far right column.

FY10 Housing Inventory Agency Program Expenditures (\$ in 000s) by Category

Program Category (Total # programs)	Total (000s)	% of Total	DHCA (000s)	DHHS (000s)	HOC (000s)	Results of OLO Assessment. Similar programs ...	See Ques
Emergency payments (4) Provide financial assistance to tenants.	\$14,409	5%	\$338	\$13,763	\$308	Actively coordinated.	
Homeownership Programs (5) Programs make homeownership affordable and sustainable	\$3,593	1%	\$655	\$0	\$2,938	Complementary. .	
Housing Stabilization Services - Shelter, Transitional, and Permanent Supportive Housing (5) Programs provide housing stabilization	\$26,971	9%	\$0	\$23,407	\$3,564	A continuum of services for different populations with different levels of need.	
Housing Stock (6) Programs develop new or renovate existing properties.	\$120,384	40%	\$43,044	\$0	\$77,340	Complementary.	
Property Services and Support (9) Programs provide inspections, maintenance and repairs.	\$42,546	14%	\$8,509	\$0	\$34,037	Programs have overlapping activities and duplicative efforts	Q1
Rental Affordability (14) Programs provide vouchers or subsidies or below market rents.	\$84,611	28%	\$0	\$13,255	\$71,356	Neither complementary nor duplicative. Some programs have overlapping eligibility criteria.	Q2
Services and Supports for People (19) Programs fund supportive services for people in emergency shelters, transitional housing, rental housing and group homes.	\$6,206	2%	\$0	\$1,933	\$4,273	Neither complementary nor duplicative. Programs provided on-site at different locations.	Q3
Subtotal for Program Categories	\$298,720		\$52,546	\$52,358	\$193,816		
Resident Services Administration(2)	\$1,348				\$1,348		
Total	\$300,068		\$52,546	\$52,358	\$195,164		

B. Agency Comments

The Committee may wish to ask agency representatives to provide general comments about the report. The agencies written comments, which are attached beginning at ©19, also provide agency responses to the three discussion questions listed below.

C. Discussion Questions and Next Steps

As part of the project scope, the Council asked OLO to recommend discussion questions to help the Council decide whether additional research or analysis is needed. OLO's discussion questions focus on areas where duplication exists (Question 1) or areas where opportunities may exist to improve service delivery coordination or program alignment (Questions 2 and 3).

1. HOC and DHCA Property Inspections

At its April 23 worksession, the PHED Committee discussed coordination of HOC's and DHCA's property inspections and requested that HOC and DHCA representatives meet, address concerns about duplicative inspection efforts, and report back to the Committee. To date, the agencies have agreed that DHCA will prepare a chart of inspection types and train HOC inspectors on Chapter 26 criteria; and where differences in inspection standards exist, HOC will inspect to Chapter 26 standards.

DHCA and HOC are still addressing a proposal, based on shared access to third party inspection reports of HOC properties from REAC and others, to allow DHCA to gradually reduce the number of its inspections over time. DHCA and HOC representatives will be available to provide an update and answer questions at the worksession. See ©24.

2. HOC and DHHS Rental Affordability Programs

The housing program inventory includes descriptions for 14 rental affordability programs, including five administered by HOC and nine administered by DHHS. The programs generally differ in the populations they target, the subsidy approaches they use, and the eligibility criteria they apply; however some overlap exists between HOC's and DHHS' shallow rent subsidy programs. This array of programs raises the following questions that the Committees may wish to discuss with agency representatives:

1. Does the current array of rental affordability programs make sense to the agencies who currently administer them? Why or why not?
2. What opportunities exist to align eligibility criteria and consolidate administrative functions, particularly among locally funded programs?

3. HOC and DHHS Resident Services and Support Programs

The housing program inventory identifies 19 different programs administered by HOC and DHHS that primarily provide supportive services for residents. Each program's services vary considerably, based on different funding sources, different client needs, and different housing environments. OLO identified 12 other programs that provide supportive services as an integral part of the program. For these programs, examples of commonly provided services include case management, health programs, child care, and social activities. OLO recommends the following questions to structure a discussion with the agencies:

1. How does each organization determine the location, staffing and services provided through its different resident and support services programs?
2. Are DHHS' and HOC's processes for establishing programs aligned so that residents with similar needs receive comparable services regardless of which organization provides the service?
3. How do the costs for providing services compare across the organizations' programs and what factors explain any variation among the costs?

D. Related Matters

This section provides information about two matters related to OLO Report 2010-9, the forthcoming recommendations of the Council's Organizational Reform Commission and a mid-year update of Housing First expenditures.

1. The Organizational Reform Commission (ORC)

In May, Council Resolution 16-1350, sponsored by Councilmembers Berliner, Leventhal, Navarro and Trachtenberg with the cooperation of the County Executive, established the Organizational Reform Commission (ORC). ORC was tasked with:

- Soliciting suggestions for potential reorganization from multiple stakeholder groups;
- Evaluating these suggestions using a set of written criteria that included cost savings, ease of implementation, and service impacts; and
- Issuing a final report with recommendations to the Council by January 31.

In September, the Directors of HOC, DHCA and DHHS briefed ORC on the administration of their respective housing programs. In October, the three agencies submitted written comments, attached at ©30, to respond to ORC's follow-up questions.

Since the Council will receive ORC's final report soon and there may be recommendations that propose organizational changes to how housing programs are administered, the Committees may wish to ask the agencies representatives to share their observations about the current organizational structure and any efficiencies to be gained from changes to this structure.

2. Housing First Program Budget and FY11 Year to Date Expenditure Data

Since OLO Report 2010-9 was released last April the County has continued to face fiscal challenges with corresponding cuts to housing services. To illustrate some of these impacts, OLO asked DHHS and HOC to provide an update of the FY11 budget and year to date expenditure data for components of the Housing First program. The updated data are attached at ©25. In part, DHHS reports the Rental Assistance Program (RAP) stopped accepting applications at the end of FY10 and Housing Initiative Program (HIP) slots were held due to the late FY10 budget cut.

**AN INVENTORY AND ASSESSMENT OF HOUSING RELATED PROGRAMS:
DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS, DEPARTMENT OF HEALTH
AND HUMAN SERVICES AND HOUSING OPPORTUNITIES COMMISSION
OFFICE OF LEGISLATIVE OVERSIGHT REPORT 2010-9**

THE ASSIGNMENT

This report presents a comprehensive inventory of 63 housing programs and services administered by the Department of Housing and Community Affairs (DHCA), the Department of Health and Human Services (DHHS) and the Housing Opportunities Commission (HOC). It organizes the inventory into seven categories; examines whether programs in each category are similar; and assesses whether similar programs complement or duplicate work performed by each other. The Council requested this study to provide a basis for an informed discussion about the need for additional research or analysis of County housing programs.

FY10 WORKYEARS AND ESTIMATED PROGRAM EXPENDITURES

This study defines a housing-related program as an organized activity administered and provided by career staff, for-profit providers, or non-profit providers. In FY10, the 63 programs in the inventory accounted for \$300 million in expenditures and 424.08 workyears.

FY10 Estimated Workyears and Expenditures for Housing-Related Programs (\$000s)

Department/Agency	Workyears	Operating	Capital	Total Exp.	Percent of Total
Dept. of Housing and Community Affairs	53.10	\$27,546	\$25,000	\$52,546	18%
Dept. of Health and Human Services	86.81	\$52,358	0	\$52,358	17%
Housing Opportunities Commission	284.17	\$116,076	\$79,088	\$195,164	65%
Total	424.08	\$195,980	\$104,088	\$300,068	100%

ORGANIZATIONAL OVERVIEW

DHCA, DHHS, and HOC administer their housing programs using different organizational structures and service delivery models. Collectively, the three organizations provide almost 7,000 tenant-based rent subsidies and manage 21,336 housing units. Of these, approximately 14,300 units provide a unit-based subsidy.

- DHCA manages a loan portfolio of more than 14,600 properties financed with County Housing Initiative Fund (HIF) and Federal HOME funds, including 9,400 assisted units. DHCA licenses 85,000 rental units annually; inspects all multifamily rental units; and operates a complaint line, an eviction assistance program, a home purchasing program, and loan programs to weatherize and repair single family homes. DHCA has two major divisions: Housing and Code Enforcement and Community Development.
- DHHS administers emergency assistance funds to keep people housed, implements multiple rental subsidy programs, and manages contracts for emergency shelter, transitional shelter, and permanent supportive housing programs. DHHS' programs serve seniors and persons with disabilities, persons with mental illness, and households living with HIV/AIDS. DHHS has four service areas that provide housing programs.
- HOC administers an in-house portfolio (3,400 units) and a contract portfolio (3,336 units) managed by seven professional firms. HOC administers the Federal Housing Choice Voucher and Public Housing programs and five other tenant subsidy programs. HOC provides emergency assistance and support services for HOC clients; issues tax exempt bonds to finance acquisition and capital development projects for HOC and private lenders; and develops or acquires new and existing housing to preserve housing affordability. HOC has five operational divisions: Housing Management, Housing Resources, Resident Services, Mortgage Finance, and Real Estate.

FUNDING SOURCES AND CLASSIFYING THE INVENTORY

Funding for the inventory consists of \$117 million in County funds (39%); \$115 million in Federal and State grants (38%); and \$68 million in HOC funds (23%). Sources of Council appropriations are the General Fund, the Housing Initiative Fund, the Capital Budget, and Federal and State Grants. HOC's revenue sources include direct Federal and State grant awards, tenant income, management fees, County grants, and Federal and State grants passed through from the County. HOC receives 75% of all Federal and State grants as direct awards.

FY10 Housing-Related Program Expenditures by Source of Funds (\$000s)

Sources of Funding		DHCA	DHHS	HOC	Total	% of Total	Grants	
							\$	%
County Appropriations	County Funds* ¹	\$46,719	\$35,804	\$34,292	\$116,815	39%		
	State Grants**	\$397	\$10,949	\$295	\$11,641	4%	\$11,641	10%
	Federal Grants**	\$5,430	\$5,605	\$5,935	\$16,970	5%	\$16,970	15%
Subtotal for County Appropriation		\$52,546	\$52,358	\$40,522	\$145,426	48.5%	\$28,611	25%
Other HOC Resources	HOC Funds			\$68,278	\$68,278	23%		
	Direct State Grants			\$4,984	\$4,984	2%	\$4,984	4%
	Direct Federal Grants			\$81,380	\$81,380	27%	\$81,380	71%
Subtotal for Other HOC Resources				\$154,642	\$154,642	51.5%	\$86,364	75%
GRAND TOTALS		\$52,546	\$52,358	\$195,164	\$300,068	100%	\$114,975	100%

Classifying the inventory by category shows Housing Stock programs account for the most expenditures, Property Services and Supports programs account for the most workyears, and Services and Supports for People programs, followed by Rental Affordability programs, account for the greatest number of programs.²

FY10 Classification of Programs, Workyears and Expenditures by Category

Housing Resource Category	#	WYS	Exp.(000)s
Homeownership Programs provide resources to make homeownership affordable and sustainable.	5	16.00	\$3,593
Services and Supports for People provide services at emergency shelters, transitional housing, rental housing and group homes.	19	49.10	\$6,206
Housing Stabilization –Financial Assistance Programs provide payments to prevent or address tenant emergencies.	4	19.00	\$14,409
Housing Stabilization - Shelter, Transitional, and Permanent Supportive Housing provides emergency shelter, transitional housing, and permanent housing with supportive services.	5	71.50	\$26,971
Property Services and Support Programs direct resources to property inspections, maintenance and repairs.	9	162.7	\$42,546
Rental Affordability Programs provide vouchers or housing subsidies or offer below-market rents to address affordability.	14	67.88	\$84,611
Housing Stock Programs use resources to develop new housing, or renovate or modernize existing properties.	6	28.90	\$120,384
Totals	62	415.08	\$298,720

¹ *DHCA's County funds include \$170,000 from Takoma Park ** DHHS' State (\$6.4 million) and Federal (\$3 million) grant monies for Home Energy Assistance benefit payments are appropriated in the State's budget.

² OLO did not assign HOC's Resident Services Administration to a category since its activities are administrative.

ASSESSING COORDINATION

Numerous examples of coordination, both organizationally and programmatically, exist among DHCA, DHHS, and HOC, especially where resources or program activities intersect.

- Resource sharing arrangements, such as blended emergency assistance plans or blended funding for capital projects are among the most prevalent examples of resource coordination.
- Program coordination occurs through legally mandated, interdependent program structures, service contracts, case by case project collaboration, and the federal continuum of care coordination for homelessness services.

An assessment of program overlap by housing resource area shows that every category has similar programs administered by two or more organizations; however, minimal duplication of services exists. Four categories have similar programs that are well coordinated or organized as a continuum; three categories have similar programs where opportunities to improve coordination may exist.

- Of the nine Property Services and Support programs, duplication of effort exists for two inspection programs, one administered by DHCA and one by HOC.
- Of the 14 Rental Affordability programs, some overlap exists among eligibility criteria for HOC's and DHHS' shallow rent subsidy programs; however, regulations address duplicative benefits.
- Of the 19 Services and Supports for People programs, common services exist but each program's services vary considerably, based on different funding sources, client needs, and housing environments. Minimal duplication exists since services are offered on-site at dispersed locations.

Assessment of Coordination Among Similar Programs by Category

Housing Resource Category (# of programs)	DHCA	DHHS	HOC	Summary Observations about Similar Programs
Similar Programs have Overlapping Activities and Duplicative Efforts				
Property Services and Support (9)	✓		✓	Similar programs have overlapping activities and duplicative efforts.
Similar Programs are Neither Complementary nor Duplicative				
Rental Affordability Programs (14)	✓	✓	✓	Similar programs are neither complementary nor duplicative. Some programs have overlapping eligibility criteria.
Services and Supports for People (19)	✓	✓	✓	Similar programs are neither complementary nor duplicative. Programs are provided on-site at different locations.
Similar Programs are Coordinated or Organized as a Continuum				
Housing Stock Programs (6)	✓		✓	Similar programs are complementary because staff frequently collaborate on project development and financing.
Emergency Financial Assistance Services (4)	✓	✓	✓	Similar programs are actively coordinated by staff.
Shelter, Transitional and Permanent Supportive Housing Services (5)		✓	✓	Similar programs provide a continuum of services for different populations with different levels of need.
Homeownership Programs (5)	✓		✓	Similar programs are complementary because prospective buyers of DHCA housing are able to access HOC's below-market rate loans.

FOLLOW-UP TOPICS AND DISCUSSION ISSUES

The three areas and discussion issues listed below respond to the Council's request for an informed discussion about the need for additional research or analysis of County housing programs. The questions address areas where common activities administered by different organizations may merit follow-up study.

Discussion Issue #1: Property Inspection Programs

DHCA's and HOC's housing inspection programs operate separately, which results in inspections of the same properties by both organizations. Although previous attempts to coordinate the agencies' inspection efforts were unsuccessful, both organizations are interested in reviewing these efforts.

1. What are the similarities and differences between the County and federal housing quality standards?
2. What are the agencies' current efforts to improve coordination and eliminate duplication among their respective property inspection programs?
3. What are the obstacles to adopting a single set of uniform standards enforced by one group of cross trained inspectors?

Discussion Issue #2: Rental Affordability Programs

DHCA, DHHS, and HOC's rental affordability programs have different approaches to providing subsidies, different sources of funds, different target populations, and different eligibility criteria. Some overlap exists in program purpose or eligibility. For example income eligibility criteria for HOC's and DHHS' locally funded shallow rent subsidy programs overlap but service duplication does not occur.

1. Does the current array of rental affordability programs make sense to the agencies who currently administer them? Why or why not?
2. What opportunities exist to align eligibility criteria and consolidate administrative functions, particularly among locally funded programs?

Discussion Issue #3: Resident Services and Support Programs

HOC and DHHS administer 19 programs that primarily provide supportive services, plus 12 other programs that provide supports as an integral part of a broader program. For all of these programs, the most commonly provided services are: case management; health programs, social activities; child care; housing locator services; and services related to employment and academic supports. Many of HOC's programs are County service contracts.

1. How does each organization determine the location, staffing, and services provided through its different resident and support services programs?
2. Are DHHS' and HOC's processes for establishing programs aligned so that residents with similar needs receive comparable services regardless of which organization provides the service?
3. How do the costs for providing services compare across the organizations' programs and what factors explain any variations among the costs?

For a complete copy of OLO-Report 2010-9, go to: www.montgomerycountymd.gov/olo

Chapter VII. Findings

Two County Government departments and the County's public housing agency each administer housing-related programs and services in the County:

- Montgomery County's Department of Housing and Community Affairs (DHCA);
- Montgomery County's Department of Health and Human Services (DHHS); and
- The Housing Opportunities Commission of Montgomery County (HOC).

This OLO report responds to the Council's interest in understanding the degree to which housing-related programs administered by these three organizations complement or duplicate work performed by the others. The report provides a basis for an informed discussion about the need for additional research or analysis of County housing programs.

To accomplish this assignment, OLO compiled a comprehensive "housing inventory". The housing inventory consists of 63 housing-related programs (defined as organized activities administered and provided by career staff, for-profit providers, or nonprofit providers) administered by DHCA, DHHS, or HOC. This study also assesses program and organizational coordination among the three organizations. In sum, OLO found that:

- Collectively, the three organizations will spend approximately \$300 million in FY10 to fund 63 housing-related programs that provide a range of services across seven categories: Housing Stock; Property Services and Support; Rental Affordability; Emergency Financial Assistance; Shelter, Transitional and Permanent Supportive Housing; Homeownership Programs; and Services and Supports for People.¹
- The Department of Housing and Community Affairs, Department of Health and Human Services, and Housing Opportunities Commission administer their respective housing programs using different organizational structures and service delivery models. In places where resources or program activities intersect across the organizations, there are numerous examples of resource sharing and program coordination.

To assess the degree of program coordination among the three organizations, OLO examined whether programs in each of the seven categories are similar; and whether similar programs are complementary or duplicative. OLO found that each of the seven housing categories has a subset of similar programs administered by two or all three of the organizations. In four of the seven categories, similar programs are well coordinated across organizational boundaries. Specifically:

- Similar programs in four categories (Housing Stock; Emergency Assistance; Shelter, Transitional, and Permanent Supportive Housing; and Homeownership) are well coordinated or provide an organized continuum of services.
- Similar programs in two categories (Rental Affordability and Services and Supports for People) neither complement nor duplicate each other's work. Some programs with overlapping eligibility criteria or similar services are operated independently.
- Programs in the category of Property Services and Support contain some overlapping activities and duplicative efforts.

¹ Chapter VI (page 120), provides a full description of each category.

Finding #1: DHCA, DHHS, and HOC administer 63 separate programs to implement County housing policies.

The Department of Housing and Community Affairs, Department of Health and Human Services, and the Housing Opportunities Commission administer 63 programs to provide decent, safe, and affordable housing in the County. The three organizations administer their housing programs using different organizational structures and service delivery models.

Collectively, the three organizations provide almost 7,000 tenant-based rent subsidies and manage 21,336 housing units, including 14,300 units that provide unit-based rent subsidies. The following summaries provide perspective on the breadth and complexity of each agency's operations.

DHCA organizes its program operations into two major divisions. The Community Development Division administers federal housing program grants; and the Housing and Code Enforcement Division administers DHCA's housing programs in five sections:

- The *Multi-Family Housing Section* manages a loan portfolio that has more than 14,600 properties (including 9,400 non-HOC assisted units) financed with County HIF and Federal HOME funds, and administers a loan program that allows nonprofit providers to acquire, renovate, and preserve multifamily and single family homes, group homes, and shelters.
- The *Code Enforcement Section* inspects DHCA's loan portfolio properties and all multifamily rental units (including HOC units).
- The *Licensing and Registration Section* administers licenses for more than 85,000 rental units annually.
- The *Landlord Tenant Affairs Section* responds to thousands of complaints annually, and administers an eviction assistance program that serves 200-300 households each year.
- The *Single Family Section* administers home purchasing programs for moderate income households and loan programs to weatherize and repair single family homes.

HOC organizes its operations into five divisions:

- The *Housing Management Division* administers affordable rental housing, including a portfolio of units managed in-house (3,400 rental units delivered through six different programs, including the Federal Public Housing program) and a portfolio of housing managed by seven property management firms (23 properties with 3,336 units).
- The *Housing Resource Division* administers the Federal Housing Choice Voucher Program (approximately 5,700 federally-funded rent subsidies).
- The *Resident Services Division* manages a dozen programs that provide emergency assistance and support services for HOC clients; plus five tenant subsidy programs that serve 543 households.
- The *Mortgage Finance Division* issues tax-exempt bonds to raise funds that finance acquisition and capital development projects for HOC, private lenders, and home mortgage programs.
- The *Real Estate Division* develops new housing and acquires existing housing to preserve housing affordability.

DHHS provides housing programs in four service areas:

- *Special Needs Housing* (the primary housing service provider) administers emergency assistance funds to prevent housing crises, implements multiple rental subsidy programs, and manages contracts for emergency and transitional shelter programs and permanent supportive housing.
- *Aging and Disability Services* provide housing-related programs specifically for seniors and persons with disabilities.
- *Behavioral Health and Crisis Services* provides housing-related programs specifically for persons with mental illness.
- *Public Health Services* administers a housing-related program that provides housing subsidies and supportive services for households living with HIV/AIDS.

Finding #2: In FY10, DHCA, DHHS, and HOC will spend approximately \$300 million on the 63 programs supported by about 428 workyears.

FY10 estimated expenditures for the 63 housing inventory programs total approximately \$300.1 million. As summarized below, the Housing Opportunities Commission's programs account for about 65% of the total; DHCA's programs account for about 18% of the total; and DHHS' programs account for the final 17%. About two-thirds of expenditures (\$196 million) are operating costs, and about one-third (\$104.1 million) are capital expenses. The 63 programs are supported by about 424 workyears.

Table 7-1: FY10 Estimated Workyears and Expenditures for Housing-Related Programs

Department/Agency	Workyears	Operating	Capital	Total Exp.	Percent of Total
Dept. of Housing and Community Affairs	53.10	\$27,546	\$25,000	\$52,546	18%
Dept. of Health and Human Services	86.81	\$52,358	\$0	\$52,358	17%
Housing Opportunities Commission	284.17	\$116,076	\$79,088	\$195,164	65%
Total	424.08	\$195,980	\$104,088	\$300,068	100%

Finding #3: Three sources of funds constitute the \$300 million for the 63 programs. They are: \$117 million in County funds (39%); \$115 million in federal and state grants (38%); and \$68 million in HOC funds (23%). HOC directly receives 75% of all federal and state grants. Combined with HOC funds, these resources account for 51.5% of all expenditures; County Government appropriations account for the other 48.5%.

In FY10, the sources of funding for the 63 programs in the inventory are the County Government, federal and state grants, and HOC funds. County resources account for \$117 million (39%), federal and state grants for a combined \$115 million (38%), and HOC-generated funds for \$68 million (23%). Table 7-2 displays FY10 program expenditure data from the housing inventory by funding source.

Multiple federal and state grants flow directly to HOC or the County Government. In FY10, direct grants to HOC totaled \$86.4 million, including \$81.4 million in federal grants and \$5 million in state grants. Direct grants to the County Government totaled \$28.6 million, including \$17 million in federal grants and \$11.6 million in state grants.

HOC directly receives 75% of all federal and state grant dollars. These grants plus other HOC funds total \$154.6 million, and account for 51.5% of all program expenditures. County Government appropriations total \$145.5 million and account for the other 48.5%.

Table 7-2: FY10 Sources of Funding for Housing-Related Programs (\$000s)

Sources of Funding		DHCA	DHHS	HOC	Total	% of Total	Grants	
							\$	%
County Appropriations	County Funds*	\$46,719	\$35,804	\$34,292	\$116,815	38.9%		
	State Grants**	\$397	\$10,949	\$295	\$11,641	3.9%	\$11,641	10%
	Federal Grants**	\$5,430	\$5,605	\$5,935	\$16,970	5.7%	\$16,970	15%
Subtotal for County Appropriation		\$52,546	\$52,358	\$40,522	\$145,426	48.5%	\$28,611	25%
Other HOC Resources	HOC Funds			\$68,278	\$68,278	22.8%		
	Direct State Grants			\$4,984	\$4,984	1.7%	\$4,984	4%
	Direct Federal Grants			\$81,380	\$81,380	27.1%	\$81,380	71%
Subtotal for Other HOC Resources				\$154,642	\$154,642	51.5%	\$86,364	75%
GRAND TOTALS		\$52,546	\$52,358	\$195,164	\$300,068	100%	\$114,975	100%

*DHCA's \$46.9 million in County funds includes \$170,000 from Takoma Park

**\$6.4 million of DHHS' State grant monies and \$3.0 million of DHHS' federal grant monies are appropriated in the State's budget for Home Energy Assistance benefit payments. DHHS administers the program.

Finding #4: FY10 expenditures for Rental Affordability and Housing Stock programs total \$85 million and \$120 million respectively. At \$205 million, these two categories account for 68% of all expenditures.

For purposes of this study, OLO sorted 62 of the 63 housing-related programs into seven categories based on common program activities.² Table 7-3 displays FY10 expenditures for each organization by program category. Together, the Housing Stock and Rental Affordability categories account for almost \$205 million (68%) of all program expenditures.

- Within the Housing Stock category, HOC accounts for almost two-thirds of total expenditures (\$77 million), and DHCA accounts for one-third (\$43 million).
- Within the Rental Affordability category, HOC accounts for almost 85% (\$71 million) of the expenditures and DHHS accounts for the remaining 15% (\$13 million).

DHCA and DHHS each show expenditures in four categories whereas HOC has expenditures in all seven categories. Both HOC's and DHCA's largest expenditures are in the Housing Stock category (\$77 and \$43 million respectively). At \$23.4 million, DHHS' largest expenditure is in Housing Stabilization - Shelter, Transitional and Permanent Supportive Housing.

Table 7-3: FY10 Expenditures by Program Category and Organization (\$ in 000s)

Program Category	DHCA	DHHS	HOC	Total	Percent of Total
Homeownership Programs	\$655	\$0	\$2,938	\$3,593	1%
Services and Supports for People	\$0	\$1,933	\$4,273	\$6,206	2%
Housing Stabilization Services – Financial Assistance	\$338	\$13,763	\$308	\$14,409	5%
Housing Stabilization Services - Shelter, Transitional, and Permanent Supportive Housing	\$0	\$23,407	\$3,564	\$26,971	9%
Property Services and Support	\$8,509	\$0	\$34,037	\$42,546	14%
Rental Affordability	\$0	\$13,255	\$71,356	\$84,611	28%
Housing Stock	\$43,044	\$0	\$77,340	\$120,384	40%
Subtotal for Program Categories	\$52,546	\$52,358	\$193,816	\$298,720	
Resident Services Administration(2)			\$1,348	\$1,348	
Total	\$52,546	\$52,358	\$195,164	\$300,068	100%

² OLO did not assign HOC's Resident Services Administration program to a category because its activities were unique compared to all other programs in the inventory. For a full description of each category, see Chapter VI, page 120.

Finding #5: A significant amount of inter-organizational coordination exists among DHCA's, DHHS', and HOC's housing-related programs. The most prevalent examples include resource sharing and program coordination.

OLO's review identified numerous examples of inter-organizational coordination among DHCA, DHHS, and HOC, especially in places where resources or program activities intersect. Examples of inter-organizational resource sharing include:

- **Blended emergency assistance funding.** Each organization administers emergency assistance programs to help people in crisis remain in stabilized housing. According to managers in each agency, program staff frequently consult and work together across agencies to develop a case management plan to address a client's specific needs.
- **Blended funding for capital projects.** DHCA and HOC each administer programs that provide financing to develop, acquire, renovate, or modernize housing. HOC's capital projects frequently combine multiple funding sources, including DHCA-administered HIF and HOME funds. For example, HOC acquired and developed MetroPointe Apartments above the Wheaton Metro with financing sources that included DHCA funds.
- **Pass through funding arrangements.** DHHS and HOC each fund programs with funds passed through from one of the other organizations. For example, DHHS receives DHCA-administered HIF funds for four programs related to the Housing First Initiative. Similarly, HOC receives County General funds from DHHS to supplement federal grant funding and to meet federal matching requirements.

Examples of inter-organizational program coordination and service delivery include:

- **Legally mandated, interdependent program structures.** Two housing programs established in the County Code, the Moderately Priced Dwelling Unit program and the Right of First Refusal program (for sale of multifamily buildings), legally require program coordination between DHCA and HOC.
- **Service contracts.** Both DHCA's and DHHS' service delivery models rely on a network of nonprofit partners; and both agencies frequently contract with HOC as one of their partners. Examples include DHHS' contracts with HOC to provide case management and housing locator services for the Housing Initiative Program and DHCA's contract with HOC for resident services at HOC's Preservation Properties.
- **Case-by-Case Project Collaboration.** All three agencies collaborate on an as-needed basis on projects to deliver affordable housing units. For example, the three organizations acquired and renovated a house on Arcola Avenue so that DHHS could temporarily house a family. DHHS has allocated 32 of its HIP slots for DHCA's financed Cordell House project and for single family homes DHCA plans to acquire in Silver Spring.
- **Continuum of Care Coordination for Homelessness Services.** DHHS serves as the lead agency for Montgomery County's Continuum of Care (CoC) system, HUD's homelessness services approach designed to create a coordinated system of services. The County's CoC has key nonprofit service providers, other government agencies, (including HUD), and landlords. As the lead agency, DHHS trains nonprofit providers in a standard intake and assessment process, in the Homelessness Management Information System (HMIS), manages the HMIS, and packages an annual application for federal funds.

Finding #6: Each of the seven housing categories includes similar programs administered by two or all three of the organizations. Four of the seven areas are well coordinated across organizational boundaries.

For this study, OLO assessed the degree to which similar housing-related programs complement or duplicate each others' work. OLO used details from the housing inventory to classify the programs into seven categories and then examined whether programs are similar or unique; and whether similar programs are complementary or duplicative.

OLO found that every category has similar programs administered by two or more organizations. OLO also found that the organizations' approaches to administering similar programs vary widely. Table 7-4 below summarizes program overlap.

Table 7-4: Summary of Housing-Related Program Overlap

Category (# of programs)	DHCA	DHHS	HOC	Summary Observations about Similar Programs
Housing Stock Programs (6)	✓		✓	Similar programs are complementary.
Property Services and Support (9)	✓		✓	Similar programs have overlapping activities and duplicative efforts.
Rental Affordability Programs (14)	✓	✓	✓	Similar programs are neither complementary nor duplicative. Some programs have overlapping eligibility criteria.
Emergency Financial Assistance Services (4)	✓	✓	✓	Similar programs are actively coordinated by staff.
Shelter, Transitional and Permanent Supportive Housing Services (5)		✓	✓	Similar programs provide a continuum of services.
Homeownership Programs (5)	✓		✓	Similar programs are complementary.
Services and Supports for People (19)	✓	✓	✓	Similar programs are neither complementary nor duplicative. Programs are provided on-site at different locations.

Four categories have similar programs that either are well coordinated or provide a continuum of services.

- **Housing Stock Programs** provide resources to develop new housing, or renovate or modernize existing properties. Four HOC programs and one DHCA program manage contracts for professional services, renovations, and capital improvements to maintain and increase the County's supply of affordable housing. OLO found that staff in these five programs frequently collaborate on project development and financing.
- **Emergency Assistance Programs** provide payments to address tenant emergencies, such as utility assistance and rent arrears. While these programs are all similar, the organizations' staff have fostered informal, yet closely-coordinated, relationships and work together to blend program resources.
- **Shelter, Transitional, and Permanent Supportive Housing Programs** provide emergency shelters, housing for families transitioning out of shelters, and permanent housing with supportive services. DHHS administers both programs, which provide services in collaboration with community service providers and HOC. These programs complement each other by providing a continuum of services for different populations with different levels of need. Programs in this category are also part of the Continuum of Care system.
- **Homeownership Programs** provide resources to make homeownership affordable and sustainable. All five programs serve prospective homebuyers and four also serve first-time homebuyers. The programs provide prospective buyers of DHCA housing (MPDUs) access to HOC below-market-rate loans.

Two categories have similar programs that are neither complementary nor duplicative. Service duplication is prohibited by regulation or unlikely because customized services are provided to individuals on-site at different locations throughout the County. Some programs that are operated independently have overlapping eligibility criteria or similar services.

- **Rental Affordability Programs** provide vouchers or housing subsidies, or offer below-market rents to make housing more affordable. These 14 programs serve similar purposes (providing subsidies to reduce rent payments); however, they have different funding sources, different eligibility criteria, target different populations, and are operated independently. Some overlap exists among the eligibility criteria for HOC's and DHHS' shallow rent subsidy programs. Program regulations combat duplication by prohibiting combining of benefits.
- **Services and Supports for People Programs** provide resident and/or supportive services for people in emergency shelters, transitional housing, rental housing, and group homes. In practice, duplication is minimized because the services are provided to individuals on-site at different locations throughout the County. Services vary widely since they are customized to meet clients' needs. In turn, this variety limits how much each organization's programs complement the work of one another.

One category has two programs with overlapping activities and duplicative efforts.

- **Property Services and Supports Programs** use resources for property inspections, maintenance, and repairs. Two inspection programs are similar – one operated by HOC and one by DHCA. For the most part, HOC and DHCA operate their respective programs independently of each other. Where each organization’s program activities are unique, duplication of work does not occur. However, duplication of effort exists because DHCA inspects all multifamily properties (including those in HOC’s portfolio). This results in multiple inspections for the same property by different staff for compliance with different codes

In sum, three categories, Property Services and Supports, Services and Supports for People, and Rental Affordability, have similar programs where opportunities to improve coordination may exist. The next chapter proposes some discussion issues to help the Council decide whether these areas merit follow-up work.

Chapter VIII. Recommended Discussion Issues

This Office of Legislative Oversight report responds to the Council's interest in understanding:

- The purpose, activities, and funding of housing-related programs administered by the County Government's Department of Housing and Community Affairs (DHCA) and Department of Health and Human Services (DHHS) and by the Housing Opportunities Commission (HOC); and;
- The extent to which the array of housing-related programs offered by these three organizations either complement or duplicate one another.

In sum, as reviewed in the previous chapters, OLO found that while each organization administers its respective housing programs using different organizational structures and service delivery models, numerous examples of resource sharing and program coordination exist. At the same time, OLO found opportunities for improved program coordination, especially where similar activities are currently administered by different organizations.

This chapter outlines three recommended discussion topics aimed at deciding whether overlapping program efforts warrant change and/or additional review. The recommended discussion topics are:

- Property inspection programs;
- Rental affordability programs; and
- Resident services and support programs.

Discussion Issue #1: Property Inspection Programs

OLO's review found that DHCA's and HOC's housing inspection programs operate separately from one another, which results in inspections of the same properties by both organizations. For example, HOC inspects its multifamily units for compliance with federal standards, e.g., HQS, REAC or LIHTC, and DHCA inspects the same units based on County housing standards.

DHCA and HOC staff report that although previous attempts to coordinate the two agencies' respective inspection programs were unsuccessful, both organizations desire to renew these efforts. DHCA's ongoing investments from the Housing Initiative Fund to renovate DHHS group homes and shelter facilities provide another opportunity to consolidate inspection work.

OLO recommends that the Council discuss the following with representatives from HOC, DHCA, and DHHS representatives:

1. What are the similarities and differences between the County and federal housing quality standards?
2. What are the agencies' current efforts to improve coordination and eliminate duplication among their respective property inspection programs?
3. What are the obstacles to adopting a single set of uniform standards enforced by one group of cross-trained inspectors?

Discussion Issue #2: Rental Affordability Programs

OLO's review identified 14 rental affordability programs, five administered by HOC and nine administered by DHHS. In general, OLO found the 14 programs have different approaches to providing the subsidy, different sources of funds, different target populations, and different eligibility criteria. OLO also found some overlap in program purpose and eligibility criteria for HOC's and DHHS' shallow rent subsidy programs.

OLO suggests that the Council discuss the following with representatives from HOC and DHHS:

1. Does the current array of rental affordability programs make sense to the agencies who currently administer them? Why or why not?
2. What opportunities exist to align eligibility criteria and consolidate administrative functions, particularly among locally-funded programs?

Discussion Issue #3: Resident Services and Support Programs

OLO's review found that HOC and DHHS operate 19 different housing programs that primarily provide supportive services for residents. Each program's services vary considerably, based on different funding resources, different client needs, and different housing environments.

OLO also identified 12 other programs that provide supportive services as an integral part of the program. For all of these programs, the most commonly-provided services are: case management; health programs; social activities; child care; and housing locator services; and services related to employment and academic supports. In practice, there is little chance of duplicating services to the same clients because the services are provided to individuals on-site at different locations throughout the County.

OLO recommends the Council discuss the following with representatives from DHHS and HOC:

1. How does each organization determine the location, staffing, and services provided through its different resident and support services programs?
2. Are DHHS' and HOC's processes for establishing programs aligned so that residents with similar needs receive comparable services regardless of which organization provides the service?
3. How do the costs for providing services compare across the organizations' programs and what factors explain any variations among the costs?



OFFICES OF THE COUNTY EXECUTIVE

Isiah Leggett
County Executive

Timothy L. Firestine
Chief Administrative Officer

MEMORANDUM

March 30, 2010

TO: Karen Orlansky, Director
Office of Legislative Oversight (OLO)

FROM: Timothy L. Firestine, Chief Administrative Officer

RE: OLO Report Number 2010-9: An Inventory and Assessment of the Housing Opportunities Commission's and Departments of Housing and Community Affairs' and Health and Human Services' Housing Related Programs

LAWSON
TF

Thank you for providing an opportunity to comment on the OLO comprehensive review of the Housing Opportunities Commission (HOC) and the Departments of Housing and Community Affairs (DHCA) and the Health and Human Services (HHS) housing related programs and coordinating practices. The report is thorough and clearly outlines the major housing initiatives and coordination efforts among all three agencies. The DHHS, HOC and DHCA enjoy a rich partnership and are committed to ensuring that all Montgomery County residents have a place to call home.

Chapter VIII outlines three recommended discussion topics aimed at deciding whether overlapping program efforts warrant change and/or additional review. Following is our response to these topics.

OLO Discussion Issue #1: Property Inspection Programs

OLO recommends that the Council discuss the following with representatives from HOC, DHCA, and DHHS representatives:

1. What are the similarities and differences between the County and federal housing quality standards?
2. What are the agencies current efforts to improve coordination and eliminate duplication among their respective property inspection programs?
3. What are the obstacles to adopting a single set of uniform standards enforced by one group of cross-trained inspectors?

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Management Response

With respect to the recommendation on aligning housing inspections between DHCA and HOC, DHCA will explore with HOC ways in which the housing inspection aspects of several programs and commensurate statutory inspection requirements can, to the extent possible, be better coordinated. As part of this effort, DHCA will work with HOC to secure appropriate approvals from HUD and the Maryland Department of Housing and Community Development that will enable HOC to use the standards contained in Chapter 26, Housing and Building Maintenance Standards – Regulations, in lieu of the specific standards currently required by these governmental funding sources.

OLO Discussion Issue #2: Rental Affordability Programs

OLO suggests that the Council discuss the following with representatives from HOC and DHHS:

1. Does the current array of rental affordability programs make sense to the agencies who currently administer them? Why or why not?
2. What opportunities exist to align eligibility criteria and consolidate administrative functions, particularly among locally-funded programs?

Management Response

See Management Response to OLO Discussion Issue #3.

OLO Discussion Issue #3: Resident Services and Support Programs

OLO recommends the Council discuss the following with representatives from DHHS and HOC:

1. How does each organization determine the location, staffing, and services provided through its different resident and support services programs?
2. Are DHHS and HOC's processes for establishing programs aligned so that residents with similar needs receive comparable services regardless of which organization provides the service?
3. How do the costs for providing services compare across the organizations' programs and what factors explain any variations among the costs?

Management Response

As the report illustrates, there is a vast number of housing resources across all agencies available to Montgomery County residents who have various levels of need. Based on the trends, it is clear that Montgomery County has a deepening economic crisis and the degree and variance of the economic and supports needed by our residents continue to expand. While the different sources of funding sometimes complicate the eligibility determination process, the richness of the number of programs and the flexibility for creativity in designing service delivery models enhances our ability to serve the wide range of community need which now exists. In order to minimize a risk of client misuse resulting from multiple access points, we have developed an intricate system of checks and balances among all three collaborating agencies.

We concur that exploring how DHHS and HOC align their Rent Affordability Programs and Resident Services Support Programs could yield valuable information regarding costs and service delivery. However, it will be important to ensure that the analysis assesses cost and quality of all services offered to support improvements to the safety net. The OLO highlighted overlaps between the varied rental affordability programs. We look forward, as the report suggested, to taking a close look at the array of these programs, which we hope, will lead to enhanced coordination opportunities to better serve the community.

The current approach of providing access to services within the community through several doors has led to a strong public-private safety net. Our collaborative approach meets the varying and most often urgent needs of our residents. Over a period of time, DHHS has successfully weaved a safety net leading to early identification, prevention and access to untapped resources in the community. By strengthening prevention, diversion and housing supports, the collaboration approach across community and agency partners has reduced costly and deep end service needs.

The DHHS and the DHCA appreciate the hard work and diligence of the OLO staff who took great care to ensure that the complex array of information and data clearly depicted the multiple and often complicated structure of housing inspections and housing programs. We look forward to continuing our discussions about the report with County Council members.

TLF:gh

cc: Rick Nelson
Uma Ahluwalia



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

10400 Detrick Avenue
Kensington, Maryland 20895-2484
(240) 773-9000

March 24, 2010

Sue Richards
Senior Legislative Analyst
Montgomery County Council
100 Maryland Avenue
Rockville, MD 20850

Dear Ms. Richards:

Thank you for the opportunity to review and respond to OLO's comprehensive inventory of Montgomery County's housing programs and to OLO's findings about the programs' interrelationships. We appreciate your commitment to understanding the array and complexity of HOC's structure and programs. We also appreciate the thoroughness and spirit of cooperation that infused the process.

This report draws a picture of cooperation and communication between two County departments, Housing and Community Affairs (DHCA) and Health and Human Services (HHS), and the Housing Opportunities Commission (HOC). Each agency provides housing and supportive services to the County's low and moderate income citizens as well as to its residents with disabilities. It is worth highlighting that, while opportunities for duplication and redundancy abound, coordination is what the three agencies achieve. We are gratified that the report reflects our understanding of the reality in which we do our work. We work closely with our partners for the benefit of the County's citizens.

The complexity of the County's housing programs is illustrated in the report. One of the more powerful complicating factors is that HOC administers two of the largest subsidized housing programs, Public Housing and the Housing Choice Voucher program. HOC requires an administrative infrastructure to administer its federal programs, even when those programs interrelate with other programs. Each Federal program has its own set of regulations, and funding for federal programs is specific, targeted, and not fungible with other programs. As the administrator of these programs, HOC is bound by those requirements. Some of them require matching funding and support from the local government and some of them create barriers between HOC and County Government. HOC administers other federal programs as well.

HOC has responded to each of the recommended discussion issues. We recognize that each question offers the opportunity for much more extensive discussion than space permits here.



Discussion Issue #1: Property Inspection Program

HUD regulations require HOC to inspect annually all of its Public Housing units and all units in which tenants use a Housing Choice Voucher. Vouchers are used in multi-family developments, single family homes and townhouses. The federal Housing Quality Standard (HQS) provides the standards by which HOC inspects HCV units.

When inspecting Public Housing units, however, HOC in the past had applied County Code, Chapter 26, unless the federal requirements within the Public Housing program were more stringent. With the onset of the UPCS (Uniform Physical Condition Standards) and a new REAC inspection form, HOC no longer uses the County Code in the inspection of Public Housing. It is important to note that HOC is inspecting its own units when it conducts inspections of Public Housing units. HOC must report to HUD that it has inspected all Public Housing units and systems and how many work orders these inspections triggered.

When HOC inspects units occupied by tenants using a voucher, virtually all of those units are privately owned. HOC must use HQS as the basis for continuing to pay or abating the federally-provided Housing Assistance Payment (HAP). Currently, HUD does not authorize HOC to apply the County Code to private property; however, approval to use a more stringent code can be requested of HUD. One issue to be considered is the potential liability if HOC were to apply the County Code to private property and apply sanctions, such as withholding HAP, for failure to comply.

In addition, HOC conducts routine inspections of all its units. Every year, every HOC-owned unit receives either an informal inspection during maintenance visits or a formal, regulatory inspection depending on the funding source and/or program requirements under which the unit was created. For example, units financed by the Low Income Housing Tax Credit (LIHTC) have inspection requirements, and every unit financed by or part of a federal program is subject to the Federal REAC inspection. State Rental Partnership requirements also have inspection provisions for units created under that program. In addition, HOC inspects the units financed by its bonds.

All the inspection protocols have the same purpose – to insure that families and individuals live in homes that are safe and free from hazard to the occupants. They each have their special requirements, as well.

1. What are the similarities and differences between the County and federal housing quality standards?

The primary goal is the same, to insure that families and individuals live in homes that are safe and free from hazards and deficiencies. However, even the Federal standards vary from one program to another and each one varies from the County's Chapter 26. For example, an exposed electric wire must be fixed immediately as a serious hazard under any inspection standard. However, with respect to window

screens, HQS does not require screens. The UPCS (for Public Housing) requires that 75% of screens are in working order, and Chapter 26 requires that all screens must be in place and in working condition.

2. What are the agencies' current efforts to improve coordination and eliminate duplication among their respective property inspection programs?

HOC's federally- or state-mandated inspections operate independently of DHCA's inspections because of the different standards that must be applied, even among those programs. When DHCA inspects HOC-owned properties, either because of routine inspections or because DHCA has provided financing, DHCA notifies HOC and provides its findings whether there are deficiencies or not. Furthermore, HOC and DHCA are involved in discussions now to determine if there is a need and/or an opportunity for more coordination of inspections.

3. What are the obstacles to adopting a single set of uniform standards enforced by one group of cross-trained inspectors?

The primary obstacles are different program requirements and the federally-mandated annual audit of federal funds (A133). HOC inspects for compliance with different programs and has to report to different entities, each of which requires a certain standard and format. Each of those entities, including HUD, DHCD, etc., would have to authorize HOC to use a different standard. Furthermore, HOC's receipt of Federal funds relies on HUD's acceptance of the annual A133. Compliance with the annual inspection requirement is one component of the A133. HOC would be delegating control over this important element if it were to employ DHCA to perform annual HQS inspections.

Discussion Issue #2: Rental Affordability Programs

1. Does the current array of rental affordability programs make sense to the agencies who currently administer them? Why or why not?

The need for housing and services is so extensive that HOC's has adopted an opportunistic approach to expanding programs. If, for example, the County Council wants to establish a shallow local rent supplement program, such as the one created a few years ago from the Recordation Tax, HOC is delighted to help the Council shape and implement the program. There are more than enough needy residents who can derive benefit from the program. Even if it overlaps with another locally offered program, it nonetheless does a great deal of good because different participants are benefitting from it. Would a strategic approach work better? Perhaps. But different funding sources and different needs appear over time, and a community's agility and flexibility to respond are also strengths.

2. What opportunities exist to align eligibility criteria and consolidate administrative functions, particularly among locally-funded programs?

HOC's administrative infrastructure is born out of its core functions of administering the federal Voucher and Public Housing programs and submitting reports to HUD. Its capacity to administer other programs, whether local, state or federal, builds on that infrastructure. And the foundational support for the infrastructure comes from Federal dollars that are not assignable to other functions.

Discussion Issue #3: Resident Services and Support Programs

1. How does each organization determine the location, staffing, and services provided through its different resident and support services programs?

Decisions regarding staffing are largely dictated by the funding source (Federal, State, and/or local regulations and guidelines), the availability of funds for salaries/benefits, the duration of the funding, the skill level required for successful intervention, the administrative support required and, most importantly, the capacity to leverage Federal dollars in order to provide beneficial service. With a 2:1 ratio, Federal and State funds are leveraged with County dollars in order to give a competitive edge in successfully obtaining grant applications or to meet "match" requirements or provide complementary services.

HOC, as a matter of policy, makes every effort to serve residents where they are, to avoid issues of transportation and child care costs wherever possible, and to increase opportunities for multiple services at a single site. Where and how services are to be rendered is determined by space availability, infrastructure needs and current geographic gaps in reaching unserved or under-served populations. Statistical data on poverty, best practices in Montgomery County and other jurisdictions, and resident/client demand also dictate service delivery methodology and approach.

In general, HOC's overarching concern is to maintain housing for vulnerable populations, thereby avoiding homelessness and entry into the costly County homeless system. Secondarily, HOC makes every effort to assist residents toward self-sufficiency, thereby freeing up precious housing units to those on the waiting list and in need of affordable housing.

2. Are DHHS' and HOC processes for establishing programs aligned so that residents with similar needs receive comparable services regardless of which organization provides the service?

HOC believes and has no contradictory information that services are indeed comparable. In some cases such as Emergency Assistance, there is joint training to help ensure adherence to program guidelines and requirements. In other cases, there are regular joint meetings and staffings to address problems

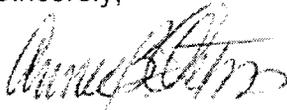
and develop viable solutions. When unit vacancies occur in some program areas, this information is provided to DHHS and joint discussions are held on potential referrals that will satisfy funding requirements. For many programs, that do not require drawing from the HOC waiting list, DHHS is the sole referral source of clients to fill vacancies.

3. How do the costs for providing services compare across the organizations' 19 programs and what factors explain any variations among the costs?

The factors related to the variations in cost can be attributed to differences in salary costs. Without question, HOC salaries are less than other County agencies for similar positions. In addition, HOC generally does not require clinical skills in working with clients but depends on prior experience coupled with education as job qualifications. HOC also practices a higher staff/client ratio (full-time staff are aligned to a minimum of 50 households) than DHHS. This practice, while not ideal, allows HOC to stretch available dollars.

Thank you for the opportunity to comment on OLO's report. We will attend the County Council's worksessions on the report and are, of course, glad to provide additional information.

Sincerely,



Annie B. Alston
Executive Director



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

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September 29, 2010

Mr. Rick Nelson, Director
Department of Housing and Community Affairs
100 Maryland Avenue, 4th Floor
Rockville, MD 20850

DEPARTMENT OF HOUSING &
COMMUNITY AFFAIRS

Dear Mr. Nelson:

We have had several meetings between our departments to discuss the overlap of inspections (HQS, UPCS & Chapter 26) that are being conducted by our staffs. In an effort to reduce the duplication, Joe Giloley and I met and agreed that all inspections being done should conform to the most stringent requirements, which are in Chapter 26 of the Montgomery County Housing and Code procedures.

During our discussions we learned that there are not a lot of differences between the inspection standards, but where there are differences, HOC would inspect to the Chapter 26 standards.

It was agreed that DHCA staff would put together a chart that would show the requirements for the three types of inspections. Once the chart is completed, DHCA staff would then train HOC staff on the Chapter 26 criteria and we in turn would inspect to that standard.

We look forward to working with you on this issue. Please contact me or my Deputy Director, Andrew Oxendine, at 240-773-9122 to review the chart when completed and formalize training requirements.

Sincerely,

Jerry Robinson
Director, Housing Management

Cc: Andrew Oxendine
Cc: Tedi Osias



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HOUSING FIRST COMPONENTS: (does not include ARRA or HOME funding)	FY09 Budget	FY10 Budget	FY10 Actual	FY11 Budget	1/1/11 Estimate # Served and Exp.	Comments
RENTAL ASSISTANCE PROGRAM (RAP): This program provides a subsidy up to \$200 to households with incomes at 50% of AMI or less.						
Budgeted number of subsidies	1,767	1,767	1,678	1,425	1,444	Council added \$250,000 or about 104 subsidies in late FY10 (FY10 avg annual subsidy \$2,324)
Subsidy Dollars - DHHS Funded	3,632,080	600,000	-	600,000	-	3.6 million RAP budget shifted from DHHS budget to DHCA HIF budget for FY10. 600K left in DHHS budget for RAP subsidies.
Subsidy Dollars - HIF Funded	600,000	3,600,000	3,899,080	2,740,200	1,685,060	*1/1/11 Estimate based on Nov. actuals and estimate for Dec. (HIF budget Reduced from 8,900,000 in FY10 to 7,250,000 in FY11 a 1.65 million reduction)C. Exec recommended BUD for FY10 reduction of \$1.65 million - Council added \$250,000
Staff Dollars - DHHS Funded	514,193	546,766	462,911	441,627	220,813	* Estimate based on historic trends. ERP personnel need to be verified.
Average Waiting List	800	800	*	*		*Due to notification of budget cut in late FY10, RAP stopped accepting new applications at the end of FY10. At that time, there were more than 2,000 applications that were unable to be reviewed.
Handicapped Rental Assistance Program (HRAP): This program provides an average subsidy of \$150 per month to people residing in licensed group home who have a mental illness						
Budgeted number of subsidies	219	219	205	219	200	Avg. per month. Based on enrollment by providers
Dollars Budgeted	420,460	420,460	393,667	420,460	186,198	Estimated expenditures thru December 31, 2010
Average Waiting List	none	none	none	none	none	

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HOUSING FIRST COMPONENTS: (does not include ARRA or HOME funding)	FY09 Budget	FY10 Budget	FY10 Actual	FY11 Budget	1/1/11 Estimate # Served and Exp.	Comments
Housing Initiative Program (HIP): This program provides a deep rental subsidy to households that have a person with special needs and an income below 30% AMI. Case management is also provided.						
Budgeted number of subsidies	225	225	195	231	210	* 15,600 FY10 estimated avg. annual HIP rental subsidy (Original FY11 Budget 206 General + 24 Cordell + 4 Gaynor/Dewey) (1/1/11 Estimate 196 HIP + 4 gaynor + 10 housed in Cordell, in process of filling 14 cordell and 6 in HIP--5 slots on hold due to budget constraints)
Subsidy Dollars - DHHS Funded	2,595,820	-	-	-	-	Old SHRAP & PPH2 budget in DHHS used for HIP operating expenses-rent subsidies shifted to HIF
Subsidy Dollars - HIF Funded	-	3,375,000	3,049,323	3,116,894	1,580,208	*Due to budget cut in late FY10, RAP stopped accepting new applications at the end of FY10 and HIP slots were held, in order to remain within reduced FY11 MARC. Meeting reduced buget for these programs through natrual attriction, without terminating households off RAP or HIP programs who share combined budget of 7,250,000 in FY11.(FY10 HIF budget 8,900,000)
Cordell Property (24 Slots) DHHS Funded	-	-	-	466,000	183,000	Cordell Project (24 slots includes service coordination) (new contract executed 09/08/10, open for placements 12/14/10) FY11 budget includes SuperNofa match 34,000 DHHS funded
Dollars Budgeted - Service Coordination Average Waiting List	363,700	756,000	644,015	756,000	335,100	HIF Funded

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HOUSING FIRST COMPONENTS: (does not include ARRA or HOME funding)	FY09 Budget	FY10 Budget	FY10 Actual	FY11 Budget	1/1/11 Estimate # Served and Exp.	Comments
Partnership for Permanent Housing: Serves same clients as HIP but services are provided through the MC Coalition for the Homeless						
Budgeted number of subsidies	55	55	55	55	55	
Dollars Budgeted - DHHS	1,000,722	1,052,941	221,020	207,600	103,800	7% reduction to administrative portion of contract for FY11
Dollars Budgeted - HIF			831,921	831,921	415,961	
HOC Rent Stabilization Program- rental assistance to families who are in danger of losing housing because of percent of income they are paying to rent - households earn 20%-40% AMI. (location based subsidy - does not travel with household).						HIF Funded - HOC will reduce through attrition as people move or are found not to be income eligible
		average subsidy \$325 per household				
Dollars (subsidy and staff at HOC)		1,890,000	1,300,000	1,000,000	479,635	
Households Serves		350	295	250	209	
DHHS Assessment Shelter Contracts:						
NCCF	644,691	830,000	751,175	756,038	378,019	Grant/ DHHS General Fund (830,000 includes Federal & State Grant and is FY10 annualized contract amount as result of Contract Negotiation. Lost 70K grant in FY11)
Dwelling Place	20,397	21,014	20,063	19,299	9,650	General
Stepping Stones	138,988	234,591	202,147	219,491	109,746	Grant/DHHS General Funding - Contract renegotiated in FY10

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HOUSING FIRST COMPONENTS: (does not include ARRA or HOME funding)	FY09 Budget	FY10 Budget	FY10 Actual	FY11 Budget	1/1/11 Estimate # Served and Exp.	Comments
Motel Placements						
Dollars (FY09 is actual expense)	1,214,157	687,000	1,071,296	687,000	550,000	FY11 YE estimate of final motel expenses as of 1/1/11 \$1,100,000
Emergency Shelters (DHHS Budget):						
Men's Shelter at Gude Drive	699,655	816,888	824,757	773,717	386,859	Grant/DHHS General Fund (does not include winter overflow) Includes 60,450 HIF case mgmt
Women's Shelter at Wilkens Avenue	528,947	594,250	585,205	560,060	280,030	includes 65K HIF case mgmt.
Emergency/Homeless Prevention Grants - State Funded						
Dollars (FY09 is actual expense)	1,122,334	1,368,203	1,198,730	1,368,203	675,247	Includes HPP, WAGS and EAFC State Grants
Number of Grants	1,903	2,318	2,120	2,422	1,218	
Average Grant	590	590	565	565	555	
Emergency/Homeless Prevention Grants - (non-recording tax) DHHS Budget						
Dollars for Homeless Prevention (FY09 is actual expense)	1,865,513	1,384,570	1,377,456	1,384,570	798,673	
Dollars budgeted for Burial Assistance		39,300	58,215	39,300	26,206	
Number of Grants	3,430	2,571	3,270	3,261	1,566	Calculation includes burial assistance + ES funds. Giant fift card purchases not included in avg. grant size
Average Grant	544	544	429	429	526	
DHHS Emergency/Homeless Prevention Grants - (recording tax funded)						
DHCA Dollars (FY09 is actual expense)	1,416,786	1,157,000	1,157,000	1,000,000	585,007	Total FY10 actuals 1,204,070 moved overexpenditure to DHHS budget for FY10
DHHS Funded			47,070	-		
Number of Grants	1,662	1,358	910	756	459	
Average Grant	852	852	1,323	1,323	1,274	

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HOUSING FIRST COMPONENTS: (does not include ARRA or HOME funding)	FY09 Budget	FY10 Budget	FY10 Actual	FY11 Budget	1/1/11 Estimate # Served and Exp.	Comments
OTHER HIF RELATED ITEMS:						
Broker contracts for case management in family shelters, eviction prevention, and administrative support	194,600	388,852	316,494	278,000	139,000	DHHS Budget
Service coordination for family self sufficiency cases NCCF ct		72,000	58,613	73,117	36,559	DHHS Budget
Shelter Plus Care case management to leverage HOC housing placements. MHA ct	25,000	65,000	65,000	60,450	60,450	DHHS Budget
Housing Locators (By HOC contract)	126,070	154,400	143,223	77,000	38,500	DHHS Budget - Reduced to 1Housing Locator for FY11
Outreach Workers for Chronically Homeless (2 by contract)	108,330	111,860	111,860	111,860	55,930	Tied to Community Vision/PIIT/Homeless Outreach proposal
Adult Shelter/Emergency Shelter case management (2 by contract) (MCCH MES & Wilkens Ave ct)	108,300	130,000	122,601	130,000	65,000	DHHS funded in FY11
Technical Assistance with data management (Bowman contract)	125,000	62,000	68,000	73,440	36,720	DHHS
OTHER ITEMS:						
General operating expenses and criminal checks	25,000	10,000	4,415	10,000	1,000	DHHS
Operating expenses for Arcola House		10,000	3,762	4,950	4,950	DHHS
One-time shelter start-up (Carroll House)	475,000	50,000	55,460	14,800		DHHS-FY10 70,272 encumbered in late FY10 for one time start up costs... 14,800 carried forward to FY11 to complete build out and pay expenses
Case management for NCCF Transitional Shelter		78,620	58,614	73,120	36,560	DHHS
RAP Support Staff		55,068	0	0	0	DHHS Funding for RAP program cut in FY11
Service Linked Cuts				36,459	17,230	DHHS - State funds cut SLH contract by 36,459 in FY11
ART Licenses		2,785	2,764	2,785	1,393	DHHS
Additional Funds for Family Shelters		190,000	190,000	303,552	151,776	DHHS 251,000 in NCCF & 52,552 in Mt. Calvary Helping Hands. Contracts renegotiated in mid FY10
Gaynor House		0	0	17,000	8,500	DHHS
Gaynor House Utilities		0	0	18,700	9,351	DHHS
backfill FY11 State grant cut to IW & CC contracts		0	0	14,870	7,435	FY11 only
		1,380,585		1,300,103		

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WHY ALL OF HOC'S, DHCA'S AND HHS' HOUSING RELATED PROGRAMS
SHOULD NOT BE CONSOLIDATED INTO ONE DEPARTMENT

A Joint Response from
Rick Nelson, Director, DHCA
Uma Ahluwalia, Director, HHS
Annie Alston, Executive Director, HOC

DHCA, HHS and HOC are pleased to reply to the Organization Reform Commission's question asking why all housing-related programs should not be consolidated into a single department within county government. It is the fundamental question; therefore, the discussion below explains the roles of the three entities and the origin of HOC in state law rendering it separate from the other two county departments.

DHCA, HHS and HOC agree that there are several reasons why it would not advance the purpose of the Commission to combine the programs. Briefly, those reasons are (1) each department/agency has specialized functions and would require implementation of legislative and regulatory changes to authorize consolidation, (2) the current system works very well, (3) locating housing ownership/management programs within county government could subject those activities to political pressures, (4) consolidation offers little if any opportunity to save money. A fuller discussion of these reasons follows.

- Each entity has specialty areas.
 - **DHCA** has responsibility for facilitating and overseeing affordable housing preservation and development with the private and non-profit sector. DHCA's job involves balancing competing interests from the perspective of what is good for the county overall with respect to creating and preserving affordable housing. Among the ways that DHCA performs this task are providing gap or subordinate funding and allocating opportunities. In the realm of opportunities for example, DHCA and HOC share a right of first refusal for multifamily properties when they are either sold or converted to condominiums. DHCA can take the lead, however, and can determine who gets the opportunity to purchase the property. In another scenario, troubled properties come to DHCA's attention. In attempting to preserve the housing at affordable levels, DHCA attempts to find solutions, one of which might be for another entity to purchase the property.

DHCA also allocates funding for the development and preservation of affordable housing. These funding decisions are made strategically to support the county's

housing goals. In addition to the county's housing trust fund, the Housing Initiative Fund, DHCA also allocates federal funding that is dispensed through local governments, such as CDBG and HOME funds.

If DHCA also were a developer or a property owner and was therefore one 'of the players,' its ability to evaluate competing proposals and requests for money without bias could be compromised. Impartiality is a real issue and also one of appearances with potential effects on public sector credibility. There can be a great deal of money at stake. Regardless of the source of funds, the same potential exists for issues of fairness, impartiality and credibility.

On a fundamental level, the county does not want to get into the business of owning and developing housing.

- **HHS** has a unique role in supporting low-income, vulnerable households including those who are at-risk of losing housing and/or have become homeless. It is the source of last resort for social services for county residents who are most at risk, such as the elderly, the disabled, and those with multiple barriers to obtaining or retaining housing. HHS' mode of operation is not that of a housing developer, manager, or financier, but as a social service provider. HHS's programs serve populations that cannot be served by HOC or DHCA and who often need assistance from a variety of HHS programs including Income Support, Public Health, Child Welfare Services and Behavioral Health Services. The current structure enables HHS to ensure the integration of needed services, which is cost effective to administer and leads to better outcomes for clients. Changing this structure would require another entity to develop new social service expertise and would create barriers for linking needy clients to the full range of services they may need.
- **HOC:** The Housing Opportunities Commission of Montgomery County (HOC) is a public body corporate and politic duly organized under Division II of the Housing and Community Development Article of the Annotated Code of Maryland, as amended, known as the Housing Authorities Law. It is not an agency of the county government although its powers may only be exercised in that geographical area. It has its own sovereignty; it may sue and be sued in its own name, contract, issue bonds, and acquire and own property. This is an important distinction in that HOC was created pursuant to state law, while HHS and DHCA are cabinet level departments within the county government. Pursuant to provisions in the law, HOC may be viewed as three functional businesses: 1) the Housing Finance Agency of Montgomery County, 2) the

Public Housing Authority of Montgomery County and, 3) as owner, developer, and manager of housing in Montgomery County.

As the Housing Finance Agency, HOC has, over its 30-year history and pursuant to its authority, issued over three billion dollars in tax-exempt and taxable securities to fund its single family and multifamily housing programs and currently has over one billion of outstanding bonds for the same. HOC uses the proceeds of each bond issue to purchase single family mortgages for first time home buyers and fund multifamily mortgages for developments that provide housing to households of eligible income. This large business unit, though it provides funding for housing programs, could not be easily folded into the county under one broad housing program. It would require major state legislation.

As the Public Housing Authority, HOC administers the federal government's two deep rental subsidy programs, Public Housing and Housing Choice Vouchers. Public Housing is assigned to the authorities under federal law and HUD regulations. While the Housing Choice Voucher Program could be operated by another agency, here too, the functions could not be easily folded into a broad county housing department, nor would it be practical. Funding of these programs is passed through to the beneficiaries and could not be redirected elsewhere; therefore, the opportunity for efficiencies or cost savings does not exist.

Finally, HOC owns, manages and develops housing, both affordable and market (in mixed-income properties). Because it owns and/or manages housing developments for low and moderate income families and individuals HOC, like private sector managers, provides services, including social services, to all of its residential communities. HOC's social services functions are purely for the benefit of its residents and clients. If HOC did not provide them, the work would fall to HHS and other county departments.

Most of the properties owned by HOC outside the public housing program are financed with mortgages obtained through the issuance of tax-exempt bonds or from funds provided by private lenders. Some of the developments are owned by limited partnerships or single purpose entities in which HOC is the controlling party. The county normally does not utilize mortgage financing and would not usually enter into partnership roles which often require guarantees that might lead to exposure of county assets.

The existing structure has been successful as evidenced by the level of HOC's expertise in these areas and the close and productive working relationships between HOC and both DHCA and HHS. More importantly, however, the aforementioned functions cannot be carried out by the county under current law.

- The current system works very well. The three organizations have developed a very good system of collaboration which precludes significant overlap.

The county's Office of Legislative Oversight (OLO) took a close look at exactly this question just last spring. OLO found only one area of duplication, housing inspections. Even though there are good reasons why both DHCA and HOC conduct housing inspections, the agencies have worked toward coordination of the function. The outcome is that now, less than six months after OLO released its report, DHCA and HOC have agreed to inspect to a single standard, Chapter 26 of the county code, and all inspections will therefore provide the same level of information to both organizations. Duplication and overlap of inspections should be sharply reduced.

Otherwise, what OLO found was that the three organizations, DHCA, HHS and HOC, had programs with similar names but that they didn't duplicate one another and they didn't overlap. OLO also found that the three agencies coordinate and collaborate well for the benefit of their clients and residents.

- Locating housing agency/authority functions within county government leaves them subject to political pressures that can interfere with effective placement and management. Only a very small percentage of the 3,300 housing agencies nationwide are located within the framework of local government. Experience has proven that collaboration and cooperation along with independence is the model that works best. Again, the track record suggests that change here has the potential to create issues rather than to create efficiencies and save money.
- Consolidation offers little if any opportunity to save money. Where would savings come from? Programs, services and functions now provided by DHCA, HHS and HOC would have to continue. Which programs, services or functions would be eliminated by consolidation? Of the \$215 million of HOC's operating budget, 41% come from federal and state grants and are passed through directly for tenant subsidy and services. Twenty-five percent (25%) come from tenant income from the properties and are used to operate and maintain the properties and pay debt service. Seventeen percent (17%)

is generated from investments, most of which is restricted. Finally, 12% come from miscellaneous HOC activities. All told, 96% of the budget is funded from HOC's activities and government grants and each source has its own restrictions that dictate the use of these funds. Only four percent comes from Montgomery County. If DHCA were to absorb HOC, it is unclear why the functions now performed by HOC would be less costly to county.

We hope we have answered the question of consolidation of the three organizations and that you will agree that continued collaboration among and not combination of the three groups achieves the highest efficiencies for the county as it works to implement its housing programs. Any thoughts of combining HOC with HHS and DHCA is impractical and require changes in the law without any clear financial benefits to the county.