

# EXECUTIVE RECOMMENDATION



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

Category	Housing Opportunities Commission	Date Last Modified	12/08/25
SubCategory	Housing (HOC)	Administering Agency	Housing Opportunities Commission
Planning Area	Countywide	Status	Ongoing

### EXPENDITURE SCHEDULE (\$000s)

Cost Elements	Total	Thru FY25	Est FY26	Total 6 Years	FY 27	FY 28	FY 29	FY 30	FY 31	FY 32	Beyond 6 Years
Other	22,375	11,703	3,172	7,500	1,250	1,250	1,250	1,250	1,250	1,250	-
<b>TOTAL EXPENDITURES</b>	<b>22,375</b>	<b>11,703</b>	<b>3,172</b>	<b>7,500</b>	<b>1,250</b>	<b>1,250</b>	<b>1,250</b>	<b>1,250</b>	<b>1,250</b>	<b>1,250</b>	<b>-</b>

### FUNDING SCHEDULE (\$000s)

Funding Source	Total	Thru FY25	Est FY26	Total 6 Years	FY 27	FY 28	FY 29	FY 30	FY 31	FY 32	Beyond 6 Years
Current Revenue: General	22,375	11,703	3,172	7,500	1,250	1,250	1,250	1,250	1,250	1,250	-
<b>TOTAL FUNDING SOURCES</b>	<b>22,375</b>	<b>11,703</b>	<b>3,172</b>	<b>7,500</b>	<b>1,250</b>	<b>1,250</b>	<b>1,250</b>	<b>1,250</b>	<b>1,250</b>	<b>1,250</b>	<b>-</b>

### COMPARISON (\$000s)

	Total	Thru FY25	Est FY26	Total 6 Years	FY 27	FY 28	FY 29	FY 30	FY 31	FY 32	Beyond 6 Years	FY 27 Approp.
Prior Year Approved	19,875	7,805	7,070	5,000	1,250	1,250	1,250	1,250	-	-	-	-
Agency Request	29,875	11,703	3,172	15,000	2,500	2,500	2,500	2,500	2,500	2,500	-	2,500
Recommended	22,375	11,703	3,172	7,500	1,250	1,250	1,250	1,250	1,250	1,250	-	1,250

CHANGE	TOTAL	%	6-YEAR	%	APPROP.	%
Agency Request vs Prior Year Approved	10,000	50.3%	10,000	200.0%	2,500	-
Recommended vs Prior Year Approved	2,500	12.6%	2,500	50.0%	1,250	-
Recommended vs Agency Request	(7,500)	-25.1%	(7,500)	-50.0%	(1,250)	-50.0%

## RECOMMENDATION

Approve with Modifications. The County Executive will consider additional funding for this project as part of the FY27 Operating Budget process.



# Supplemental Funds for Deeply Subsidized HOC Owned Units Improvements

(P091501)

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## EXPENDITURE SCHEDULE (\$000s)

Cost Elements	Total	Thru FY25	Est FY26	Total 6 Years	FY 27	FY 28	FY 29	FY 30	FY 31	FY 32	Beyond 6 Years
Other	29,875	11,703	3,172	15,000	2,500	2,500	2,500	2,500	2,500	2,500	-
<b>TOTAL EXPENDITURES</b>	<b>29,875</b>	<b>11,703</b>	<b>3,172</b>	<b>15,000</b>	<b>2,500</b>	<b>2,500</b>	<b>2,500</b>	<b>2,500</b>	<b>2,500</b>	<b>2,500</b>	<b>-</b>

## FUNDING SCHEDULE (\$000s)

Funding Source	Total	Thru FY25	Est FY26	Total 6 Years	FY 27	FY 28	FY 29	FY 30	FY 31	FY 32	Beyond 6 Years
Current Revenue: General	29,875	11,703	3,172	15,000	2,500	2,500	2,500	2,500	2,500	2,500	-
<b>TOTAL FUNDING SOURCES</b>	<b>29,875</b>	<b>11,703</b>	<b>3,172</b>	<b>15,000</b>	<b>2,500</b>	<b>2,500</b>	<b>2,500</b>	<b>2,500</b>	<b>2,500</b>	<b>2,500</b>	<b>-</b>

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

Appropriation FY 27 Request	2,500	Year First Appropriation	FY15
Appropriation FY 28 Request	2,500	Last FY's Cost Estimate	19,875
Cumulative Appropriation	14,875		
Expenditure / Encumbrances	-		
Unencumbered Balance	14,875		

## PROJECT DESCRIPTION

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

## COST CHANGE

HOC deployed a new renovation plan that has resulted in significant savings in both the time required to complete the renovations and the final cost. Based on this in-house project management approach, the average cost for units requiring full interior and exterior renovations has decreased to approximately \$64,500, and the average renovation can be completed from start to finish within six weeks. In FY25, fifty-two scattered site units were renovated. Additionally, capital improvements, including full window replacements, roof replacement and other interior and exterior repairs were completed in another ninety-three units. Based on the

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demonstrated new approach which expended \$2.6 million in FY25 and further obligated all but \$800,000 of the remaining carryover balance through FY26, HOC is requested that the annual funding level be increased to \$2.5 million annually. Additional funding would reduce the timeframe to address the outstanding need and allow HOC to support the ongoing repairs and renovations of these severely distressed scattered site units expediently.

## PROJECT JUSTIFICATION

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

## FISCAL NOTE

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

## DISCLOSURES

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Expenditures will continue indefinitely.

## COORDINATION

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