

7th AMENDMENT

**TO
AMENDED AND RESTATED MOVING TO WORK AGREEMENT
BETWEEN
US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
AND
HOUSING AUTHORITY OF BALTIMORE CITY**

[On [DATE 2012], a settlement in the Thompson v. HUD case was finalized and approved. Per Section III. A of the Thompson v. HUD Settlement Agreement, Attachment A of the Amended and Restated Moving to Work Agreement was amended. The attached version of Attachment A replaces the original version in its entirety.]

ATTACHMENT A
CALCULATION OF SUBSIDIES
TO
MOVING TO WORK AGREEMENT
BETWEEN
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
AND
THE HOUSING AUTHORITY OF BALTIMORE CITY

During the term of this Amended and Restated Moving to Work (MTW) Agreement (Restated Agreement), the Department of Housing and Urban Development (HUD) will provide the Housing Authority of Baltimore City (HABC) with operating subsidy, capital funds, and Section 8 assistance as described below. Nothing in this statement of funding abrogates HABC's obligations set forth in Section II, Paragraph D of the Restated Agreement. Further, nothing in Attachment A abrogates or should be read as inconsistent with HABC's continuing obligations and responsibilities to administer the Housing Choice Voucher program as specified in the Thompson v. HUD Settlement Agreement.

Notwithstanding any provisions set forth in this Attachment A, any federal law that amends, modifies, alters the effect of, or changes the terms of this MTW Agreement and/or Attachment A shall supersede this MTW Agreement and/or Attachment A such that the provisions of the law shall apply as set forth in the law.

Definitions in this attachment:

Initial Year: For purposes of calculating operating subsidy eligibility for inclusion in the block grant, the Initial Year is the HABC's FY 2005 fiscal year beginning July 1, 2004. For purposes of Section 8 Voucher funding eligibility, the Initial Year is calendar year 2005 (January 1, 2005-December 31, 2005).

The first agency fiscal year in which the HABC begins operating under this Restated Agreement is the HABC's fiscal year 2008 (July 1, 2007 – June 30, 2008).

Base Year: The most recently completed HABC fiscal year prior to the first year in which the HABC begins operating under this Restated Agreement, specifically HABC's fiscal year ending June 30, 2007.

1. Operating Subsidy

The calculation of operating subsidy for the Initial Year is based on HABC's funding amount already calculated by HUD for its fiscal year July 1, 2004 – June 30, 2005, in the amount of \$58,395,634 (\$25,182,725 of which relates to utility costs). There shall be two adjustments allowed to this baseline amount in subsequent years: (1) an inflation factor applied to the utility cost component of the subsidy (\$25,182,725 in the initial year) based on an energy index as determined by HUD each year; and (2) the remainder of the annual

funding amount (\$33,212,909) shall be adjusted by an annual inflation factor pursuant to existing regulations. Funding for operating subsidy in the second and subsequent years of this agreement will be based on initial year funding (the baseline as adjusted) and will be further adjusted annually commensurate with adjustments to annual appropriations for the Operating Subsidy Program.

Furthermore, Congress has stipulated that HUD transition all public housing authorities to a calendar year funding cycle for Operating Subsidy. Therefore, HUD funded HABC for six months starting July 1, 2005 and ending December 31, 2005 based on HABC's frozen level pro-rated for six months. Then, starting on January 1, 2006, HABC receives operating subsidy at the frozen level (including adjustments mentioned above) on a calendar year basis for the duration of the Restated Agreement. No additional funding shall be provided beyond the amount specified above for Operating Subsidy and further that such funds are subject to the availability of appropriations.

Eligibility for operating subsidy for calendar 2008, prior to pro-ration, is \$75,791,519 (\$38,900,649 of which relates to utility costs).

For purposes of determining post-MTW project-level utility expense levels where an Energy Performance Contract (EPC) extends beyond the term of this Restated Agreement, the Department will use, for the remaining period of the EPC, the "frozen consumption levels" used to determine the baseline for the EPC.

2. Capital Funds Program

- A. The HABC's formula characteristics and grant amount will continue to be calculated in accordance with applicable law and regulations.
- B. For capital funds provided in years prior to the execution of this Restated Agreement, the HABC may submit, and HUD will, as permitted by law, approve, a request to reprogram, by grant year, any unobligated funds for eligible MTW purposes. Such requests will be made in accordance with current procedures governing amendments to the Annual MTW Plan, except that no public consultation will be necessary prior to submission of the request.
- C. All funds programmed for MTW purposes will be recorded and drawn from MTW-designated line items on relevant HUD forms.

3. Vouchers funded but Not Included in the MTW Block Grant:

Funding for five-year mainstream vouchers, one-year mainstream vouchers, Family Unification Program vouchers, Veteran's Affairs Supportive Housing vouchers, and moderate rehabilitation vouchers, whether new allocations or renewals of existing vouchers, shall not be included in the MTW Block Grant.

4. Calculation of Annual Non-Thompson Tenant Based Voucher Subsidy

- A. The Initial Year “baseline” amount for HABC’s tenant based voucher subsidy funding under this Agreement was calculated according to the following criteria:
1. The housing assistance payment (HAP) baseline eligibility calculated pursuant to the Consolidated Appropriations Act, 2005, using verified May, June, July 2004 leasing and cost data from the Voucher Management System, equaled \$66,718,100 [gross, prior to application of the 5.2% AAF and CY 2005 pro-ratio factor of 95.917%].
 2. In addition, HUD was able to verify that HABC had abated HAP contracts worth an average of \$676,636 per month during the May to July 2004 time period. Therefore, the baseline was increased by an additional amount to cover units that became compliant under HQS. The additional amount to cover abated HAP for calendar year 2005 equaled \$8,119,628 [gross, prior to application of the 5.2% AAF and CY 2005 pro-ratio of 95.917%].
 3. The eligibility of \$74,837,728 (\$66,718,100 plus \$8,119,628) was adjusted by the FY 2005 Annual Adjustment Factor (AAF) of 1.052 for a total Initial Year baseline eligibility of \$78,729,290. The net HAP funding, after application of the national pro-ratio factor of 95.917 percent was \$75,514,773.
- B. The Initial Year baseline eligibility amount was adjusted for CY 2006 and CY 2007 according to the following criteria:
1. For CY 2006, the Initial Year baseline eligibility amount of \$78,729,290 was adjusted by the addition of funding for new vouchers awarded not included in the CY 2005 baseline and by application of the FY 2006 AAF.
 2. For CY 2007, the CY 2006 eligibility amount was adjusted by the addition of funding for any new vouchers awarded and not included in the CY 2006 eligibility and by application of the FY 2007 AAF.
- C. The funding for voucher HAP assistance for CY 2008 and subsequent years will be calculated according to the following criteria:
1. Of the Initial Year baseline eligibility amount stated above, \$3,323,184 in housing assistance payments will be separated and accounted for separately as MTW block grant funding to implement the Thompson v. HUD Partial Consent Decree (Thompson PCD) voucher program, and may be used only as set forth in Section 8,

below. The funding described in the preceding sentence and adjustments to such funding shall be referenced below as Thompson PCD Voucher Funds.

2. The remaining Initial Year baseline eligibility amount of \$75,406,106 (\$78,729,290 minus \$3,323,194) will be adjusted in all subsequent years in which this agreement is in effect according to the adjustments detailed in Section 4.C.3. below and any provisions of annual appropriations acts.
3. For CY 2008, funding for non-Thompson Voucher Funds will be provided in the amount of the CY 2007 eligibility as described in section 4.B.2. above, minus the baseline HAP costs attributable to the Thompson Voucher Funds per section 4.C.1. above, plus the adjustments described in 4.C.3.a. and 4.C.3.b. below:
 - a. An adjustment will be made to the HAP eligibility for new vouchers awarded that are not represented in the baseline.
 - b. An adjustment will be made to the HAP eligibility by application of the new year's AAF applicable to the area. The funding amount will be determined by applying the national pro-ration factor to the new total eligibility.

For CY 2008, the non-Thompson Voucher Funds HAP funding eligibility will total \$96,545,176 and the pro-rated funding will total \$97,947,977.

- c. For all subsequent years in which this agreement is in effect, funding for non-Thompson Voucher Funds tenant-based voucher assistance will be provided in the amount of the prior calendar year's eligibility, plus the adjustments described in 4.C.3.a. and 4.C.3.b. above.
- D. Except as expressly stated below in Section 8, HABC's MTW funding for tenant-based voucher Thompson assistance shall be based solely on dollars and not units.
 - E. If HABC receives incremental tenant-based funding, HABC must decide to either apply the incremental funding to their MTW block grant or to keep the incremental funding separate, as provided by law. In some cases, incremental funding may not be eligible for inclusion in the block grant as may be dictated by law.
 - F. All tenant-based voucher funding provided by HUD, except that which is: i) listed under section 3 above, ii) provided solely to fulfill HABC's obligations under the Thompson PCD and/or Settlement Agreement, or iii) is otherwise ineligible for inclusion in the MTW block grant as a matter of law, in the initial year and subsequent years under this MTW agreement may be eligible for inclusion in the MTW flexible block grant.

5. Calculation of Non-Thompson Tenant-Based Voucher Administrative Fees & Family Self Sufficiency

- A. The Initial Year “baseline” amount for HABC’s tenant based voucher administrative fee funding under this Agreement was calculated according to the following criteria:
1. The administrative fee initial baseline eligibility calculated pursuant to the Consolidated Appropriations Act, 2005 equaled \$5,968,815 [gross, prior to CY 2005 pro-ration of 99.444%].
 2. The net administrative fee funding, after application of the CY 2005 national pro-ration factor of 99.444 percent was \$5,935,628.
 3. Of the Initial Year baseline eligibility amount stated in 5.A.1. above, \$198,880 in administrative fee funding eligibility will be separated and accounted for separately to implement the Thompson PCD, for HABC expenses and otherwise, and may be used only for that purpose.
 4. The remaining Initial Year baseline eligibility amount of \$5,769,935 (\$5,968,815 minus \$198,880) will be adjusted in all subsequent years in which this agreement is in effect according to the adjustments detailed in Section 5.B. below and any provisions of annual appropriations acts.
- B. The funding for tenant based voucher administrative fees for CY 2008 and subsequent years will be calculated according to the following criteria:
1. For CY 2008, funding for non –Thompson vouchers administrative fees will be provided in the amount of the baseline eligibility calculations as set forth in section 5.A.4. above, plus the adjustments described in 5.B.1.a., 5.B.1.b. and 5.B.1.c. below:
 - a. The administrative fee baseline amount in CY 2008 will be adjusted via the application of the FY 2008 administrative fee rates to the Initial Year baseline leasing.
 - b. Units awarded since the establishment of the Initial Year baseline will be funded on the basis of the FY 2008 administrative fee rates as though all incremental vouchers were under lease.
 - c. For CY 2008, the non-Thompson administrative fee funding eligibility will total \$8,984,121. The eligibility will be pro-rated each calendar quarter at the national pro-ration rate.

2. For all subsequent years in which this agreement is in effect, funding eligibility for non-Thompson voucher administrative fees will be based on the prior year's eligibility adjusted via the application of the published administrative fee rates applicable to the calendar year and the addition of new vouchers awarded that are not in prior calendar year calculations. The funding eligibility will be pro-rated according to the national pro-ration rate.

- C. HABC will receive Family Self Sufficiency funding in accordance with laws and regulations in effect.

6. Thompson PCD Reserve

HUD shall continue to maintain possession and control of the Thompson PCD Reserve, formerly the Project Account Reserve, and agrees that HABC will be permitted to draw from the Thompson PCD Reserve Account to fund those HAP payments for the PCD vouchers that exceed the renewal funding provided for CY2011, CY 2012, and CY2013. Funding for additional leasing or costs will be limited to the balance available in the Thompson PCD Reserve Account as of the effective date of this MTW Amendment. HABC and HUD agree that PCD Voucher leasing will be capped at 1,788 Vouchers. To the extent any funds remain after covering additional leasing and costs, and if agreed to by HUD and Plaintiffs, then at the beginning of CY2014 HUD will allow HABC to draw from the Thompson PCD Reserve Account for costs for mobility counseling and/or administration of the Thompson PCD and Remedial Vouchers through CY2018. HABC (and any subcontractors of HABC, including the Regional Administrator) must use funds drawn from the Thompson PCD Reserve as set forth above. To the extent funds remain after CY2018, any remaining funds will go to HABC to be used in accordance with program requirements. No monies in the Thompson PCD Reserve may be used for any purpose other than those described in this provision (6). The Thompson PCD Reserve was created as a one-time provision of Project Reserve provided at the beginning of the HABC's MTW program, and shall not be replenished by HUD during the term of the MTW program.

7. Thompson Remedial Reserve

Any reserves established pursuant to the provision of Thompson Remedial Vouchers will be kept in accordance with program requirements, including but not limited to cash management principles.

8. Thompson Remedial and PCD Vouchers (2012-2018).

HUD and HABC hereby amend their MTW agreement as part of a settlement of Thompson v. HUD. This settlement contemplates the provision of voucher funding, subject to appropriations law, from 2012 through 2018, and vouchers provided therein shall be referred to as "Thompson

Remedial Vouchers”. These vouchers are in addition to 1,788 vouchers funded pursuant to the Thompson Partial Consent Decree, which are referenced above and below as “Thompson PCD Vouchers.” Except for turnover of Thompson PCD Vouchers, all Thompson Vouchers leased above those 1,788 vouchers shall be deemed Thompson Remedial Vouchers.

A. Definitions:

1. Initial-Year Funding Increment: The Initial-Year Funding Increment of Thompson Remedial Vouchers shall be 354 in CY2012, 375 in CY2013 and CY2014, and 374 each year from CY2015 to CY2018.
2. Renewal Unit Number: The Renewal Unit Number represents the maximum number of units that will be added to the Baseline Renewal Number in subsequent years. This number is based on the Performance Target being met in that particular calendar year. For CY2012 the Renewal Unit Number is 180 units; for CY2013 – CY 2015 it is 403 units; and for CY2016 – CY2018 it is 404 units. The total number of Renewal Units cannot exceed 2600.
3. Baseline Renewal Number: The number of units used to calculate subsequent-year funding for Thompson Remedial Vouchers. This number will start at zero for CY2012, and will be increased each year pursuant to Section 8.C.1, below.
4. Performance Target: The number of units that must be leased on December 1st of each year in order to maximize the Baseline Renewal Number for the following twelve-month period (December 1st to November 30th). This number is calculated by taking the sum of the Baseline Renewal Number plus the Renewal Unit Number, and multiplying it by the applicable performance percentage:
 - a. 2012, 2013: 90%
 - b. 2014, 2015: 92%
 - c. 2016, 2017, 2018: 95%
5. Funded Units: The total number of units funded in a particular calendar year. The total number of Funded Units each year shall be the sum of the Initial-Year Funding Increment plus the Baseline Renewal Number.

- B. Initial-Year Funding for Thompson Remedial Vouchers (CY2012-2018). The Thompson Remedial Vouchers will be funded by HUD in their Initial Year as follows:

1. For each calendar year's Initial-Year Funding Increment of Thompson Remedial Vouchers, HUD will, as set forth below in subsection (2), determine 12 months of HAP funding for each voucher, calculated based on the per-unit cost data (for CY 2012 based on Thompson PCD Voucher costs, and for years thereafter based on Thompson Remedial Voucher costs), as of December 1st of the immediately prior calendar year, and subject to the Inflation Factor¹ and national pro-ration.
2. HUD will begin funding the Initial-Year Funding Increment of Thompson Remedial Vouchers at the beginning of each calendar year. Upon passage of a full year appropriations act, HUD will obligate funds in accordance with receipt of allotments from OMB, to HABC for disbursement pursuant to program requirements. In the event that HUD is operating under a continuing resolution at the beginning of the calendar year (or at any other relevant point in time), then HUD will obligate an amount proportional to the length of the Continuing Resolution. In that situation, HUD will obligate the remaining amount of HAP funding for the Initial-Year Funding Increment as upon passage of HUD's full-year appropriations act (or other continuing resolution covering HUD through the end of the fiscal year), after any settle-up due to the prior allocations.
3. As set forth in Section 8.A.1, the Initial-Year Funding Increment of Thompson Remedial Vouchers shall be 354 in CY2012, 375 in CY2013 and CY2014, and 374 each year from CY2015 to CY2018.
4. For CY2012, the actual amount and timing of funds disbursed will be determined based on projected lease-up schedules and projected mobility-counseling costs. In subsequent years, the funds will be disbursed in accordance with the Housing Choice Voucher Program's cash management procedures. In the event that costs exceed disbursements, HABC may submit a request for an additional advance/frontload for review and approval to HUD, pursuant to requirements of cash management. Any advance or frontload does not increase the eligibility for the year.

C. Renewal Funding for Thompson Remedial Vouchers (CY2012-2018). The subsequent-year HAP funding for the Thompson Remedial Vouchers, to be provided by HUD, will be calculated as follows:

¹ The so-called Inflation Factor was formerly known as the Annual Adjustment Factor (AAF). See 77 Fed. Reg. 24215 (Apr. 23, 2012). The term "Inflation Factor" is used throughout this Section 8 for consistency with current terminology.

1. After each of those calendar years (2012-2018), HUD will modify the Baseline Renewal Number as follows:
 - a. If on December 1st of the immediately prior calendar year, the Performance Target for leasing Thompson Remedial Vouchers for that year has been met, then the Baseline Renewal Number for the new calendar year will be increased by the Renewal Unit Number for the immediately prior calendar year. If the Performance Target has not been met on December 1st of the immediately prior calendar year, then the Baseline Renewal Number for the new calendar year shall be set at the number of units actually under lease on December 1st of the immediately prior calendar year.
 - b. In any calendar year in which the national pro-ration factor is less than or equal to 95%, the Performance Target for that year shall be adjusted by multiplying the national pro-ration factor by the Performance Target.
 - c. Catch-Up Provision: If, after applying the above provisions, the number of units actually under lease on December 1st of the immediately prior calendar year *exceeds* the Baseline Renewal Number for the new calendar year, then the Baseline Renewal Number for the new calendar year shall become the number of units actually under lease on December 1st of the immediately prior calendar year; provided, however, that the Baseline Renewal Number shall never go above the sum total of the Renewal Unit Numbers for all prior years, not to exceed 2600 units.
2. Each year's subsequent-year HAP funding for the Thompson Remedial Vouchers, to be provided by HUD, will represent 12 unit months of funding for the Baseline Renewal Number, subject to an Inflation Factor and the national pro-ration factor, and calculated using the per-unit cost data associated with Thompson Remedial Vouchers only, as of December 1st of the immediately prior calendar year.

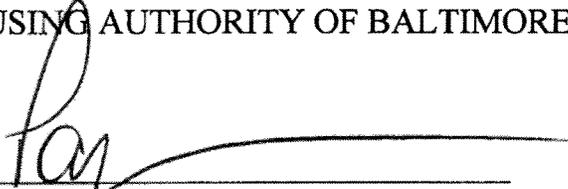
D. Renewal Funding for Thompson PCD Vouchers (CY2012-2018).

1. The number of Thompson PCD Vouchers funded under the provisions of this paragraph 8.D will be capped at 1,788. The remaining Thompson PCD Vouchers (out of the 1,988 Thompson PCD Vouchers originally contemplated) unleased as of that date will be deemed fully funded in accordance with Paragraphs 8.B and 8.C, above.
2. For CY 2008, the Thompson PCD Voucher Funds HAP funding after proration totaled \$12,591,314.

3. For CY2009 through CY2013, HUD has adjusted and will adjust the baseline eligibility amounts for Thompson PCD Voucher Funds using the immediately prior calendar year (CY) leasing and cost data from VMS associated with the Thompson PCD Vouchers only, to the extent allowable by law, as determined by HUD. The funding amount will be determined by applying further adjustments for the applicable Inflation Factor and the national pro-ration factor.
 4. At the beginning of CY2014, the *Thompson* PCD Vouchers will be rolled into the regular voucher program baseline. The total number of dollars spent on HAP for the Thompson PCD Vouchers in CY 2013, adjusted via the inflation factor for 2014, will be the fixed base amount to be added for CY 2014. For all subsequent years in which HABC's MTW Agreement is in effect, renewal funding for the Thompson PCD Vouchers will be determined by applying the same formula that is set forth for HABC's non-Thompson vouchers in Section 4.C.3.c of Attachment A of HABC's MTW Agreement.
- E. The funding described in Sections 6, 8.B, 8.C, and 8.D, above, for Thompson PCD and Remedial Vouchers shall constitute the total HAP funding to be provided by HUD for these Vouchers while HABC's MTW Agreement is in effect. No further source of funding for HAP will be provided by HUD.
- F. Administrative Fees for Thompson PCD and Remedial Vouchers. Administrative fees for Thompson PCD Vouchers and Thompson Remedial Vouchers will be funded from the nationwide administrative-fee appropriation, and will be calculated and paid by HUD in accordance with the Appropriations Act.
- G. Mobility-Counseling Cap. In CY2012, the limit of HAP funding that may be used for mobility counseling shall be \$2.4 million. In each subsequent calendar year, this mobility-counseling limit shall be adjusted by an inflation factor, as measured by the Consumer Price Index.
- H. The Regional Administrator, as specified in the Thompson v. HUD Settlement Agreement, may utilize interchangeably any HAP funding, administrative fees or reserve funds specifically attributable to the Thompson PCD and/or Thompson Remedial Vouchers for all Thompson eligible activities as articulated in the Thompson v. HUD Settlement Agreement. Both HABC and the Regional Administrator must comply with all MTW program regulations and requirements.

IN WITNESS WHEREOF, the parties have caused this Attachment A to be executed by their duly authorized representatives.

HOUSING AUTHORITY OF BALTIMORE CITY

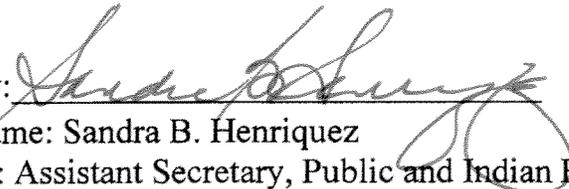
By: 

Name: Paul T. Graziano

Its: Executive Director

Date: 8/13/12

UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

By: 

Name: Sandra B. Henriquez

Its: Assistant Secretary, Public and Indian Housing

Date: August 13, 2012