Housing Opportunities Commission
OF MONTGOMERY COUNTY

10400 Detrick Avenue
Kensington, MD 20895-2484
(240) 627-9425

BUDGET, FINANCE AND AUDIT COMMITTEE

May 24, 2022
10:00 a.m.
YouTube Link: https://youtu.be/MIS-UOJyFlk

Approval of Minutes:

Action/Discussion Items:

7. Inspection Services Contract Extension: Authorization to Extend Inspection Services Contract with Inspection Experts, Inc. ("IEI")	55
8. **Procurement of Property Management Services:** Renewal of Property Management Contracts for Alexander House Development Corporation, Diamond Square Development Corporation, Brookside Glen Development Corporation, Glenmont Crossing Development Corporation, Glenmont Westerly Development Corporation and Wheaton Metro Development Corporation, and Oaks at Four Corners Development Corporation	57
9. **Procurement of Property Management Services:** Renewal of Property Management Contracts for Alexander House, Cider Mill Apartments, Stewartown Homes, Westwood Towers and Fenton Silver Spring, and Wheaton Metro	61
10. **Property Management Contract Procurement:** Approval to Select a Firm to Provide Property Management Services to Elizabeth House III Development in Accordance with Request for Proposal ("RFP")	S/C

Minutes

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY
10400 Detrick Avenue
Kensington, Maryland 20895
(240) 627-9425

Budget, Finance and Audit Committee Minutes

May 10, 2022

For the official record of the Housing Opportunities Commission of Montgomery County, an open meeting of the Budget, Finance and Audit Committee was conducted via an online platform and teleconference on Tuesday, May 10, 2022, with moderator functions occurring at 10400 Detrick Avenue, Kensington, Maryland beginning at 10:00 a.m. There was a livestream of the meeting held on YouTube, available for viewing here. Those in attendance were:

Present
Richard Y. Nelson, Jr., Chair – Budget, Finance and Audit Committee
Frances Kelleher – Commissioner
Jeffrey Merkowitz - Commissioner

Also Attending

Kayrine Brown, Acting Executive Director
Timothy Goetzinger, Acting Chief Financial Officer
Eugenia Pascual, Controller
Nathan Bovelle
Alex Torton
Jay Berkowitz
Vivian Ikoro
Fozia Malik
Victoria Dixon
Jennifer Arrington
Frederick Colas
Jeremiah Battle

Heather Grendze, Associate General Counsel
Terri Fowler, Budget Officer
Olutomi Adebo
Francisco Vega
Claudia Wilson
Zachary Marks
Steven Firth
John Broullire
Ellen Goff
Marcus Ervin
Kathryn Hollister

IT Support
Aries "AJ" Cruz

Commission Support
Patrice Birdsong, Spec. Asst. to Commission

Commissioner Nelson, Committee Chair, delegated Commissioner Kelleher to open and chair the meeting. The meeting was opened with a roll call of Commissioners who participate on the Committee, as well as the Acting Executive Director and various staff.

APPROVAL OF MINUTES

The minutes of April 26, 2022, open session were approved as submitted with a motion by Commissioner Merkowitz and seconded by Commissioner Nelson. Affirmative votes were cast by Commissioners Nelson, Kelleher, and Merkowitz.

ACTION/DISCUSSION ITEMS

1. **Budget Presentations:** Presentation of the Fiscal Year 2023 Opportunity Housing Fund Budget

Timothy Goetzinger, Chief Development Funds Officer/Acting Chief Financial Officer, introduced Terri Fowler, Budget Officer, and Tomi Adebo, Assistant Budget Officer, who would be providing the FY'23 Budget presentations.

Tomi Adebo, Assistant Budget Officer, began with the presentation of the Opportunity Housing Fund Budget. Ms. Adebo provided an overview of the revisions made to the recommended Budget that was presented during the April 6, 2022 Commission meeting.

During the presentation, Commissioner Nelson briefly stepped away. No action was required.

2. **Budget Presentations:** Presentation of the Fiscal Year 2023 Mortgage Finance and Real Estate Development Budgets

Terri Fowler, Budget Officer, provided presentation of the Mortgage Finance and Real Estate Development Budgets, which included presentations of the five (5) funds: General Fund, Multi-family Fund, Single-Family Bond Fund, the Opportunity Housing Reserve Fund (OHRF), which is a part of the Opportunity Housing Fund, and the County Grant section of the Public Fund. Staff informed that the final proposed budget along with a detailed reconciliation of the changes that were introduced and any updates that will occur during the final balancing will be presented at the June 8, 2022 full Commission Meeting.

During the presentation, Commissioner Nelson briefly stepped away. No action was required.

Based upon this report and there being no further business to come before this session of the Budget, Finance and Audit Committee, Commissioner Kelleher called for the motion to adjourn the meeting and Commissioner Merkowitz seconded. It was unanimously approved to adjourn the meeting. Commissioner Nelson was necessarily absent and did not participate in the vote. The meeting adjourned at 10:25 p.m.

Respectfully submitted,

Kayrine Brown
Acting Secretary-Treasurer

/pmb

Discussion Items

M E M O R A N D U M

TO:	Housing Opportunities Commission of Montgomery County; Budget, Finance and Audit Committee			
VIA:	Kayrine Brown, Acting Executive Director			
FROM:	Staff:	Timothy Goetzinger	Division: Finance	Ext. 4836
		Terri Fowler		Ext. 9507
		Tomi Adebo		Ext. 9472
RE:	**Fiscal Year 2022 (FY'22) Third Quarter Budget to Actual Statements:** Presentation of Third Quarter FY'22 Budget to Actual Statement			
DATE:	May 24, 2022			

BACKGROUND:
The Acting Executive Director is presenting the quarterly budget to actual statements to the Budget, Finance & Audit Committee for review. Staff will present any proposed budget amendments and recommendations to the full Commission for formal action.

ISSUES FOR CONSIDERATION:
To assess the financial performance of the Housing Opportunities Commission of Montgomery County ("Agency") for the third quarter of FY'22 against the budget for the same period.

BUDGET/FISCAL IMPACT:
None for FY'22.

TIME FRAME:
For informal discussion at the May 24, 2022, Budget, Finance & Audit Committee meeting. For formal Commission action at the June 8, 2022 meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:
Staff recommends that the Budget, Finance and Audit Committee join its recommendation to the Commission to accept the Third Quarter FY'22 Budget to Actual Statements.

DISCUSSION – THIRD QUARTER BUDGET TO ACTUAL STATEMENTS

This review of the Budget to Actual Statements for the Agency through the third quarter of FY'22 consists of an overall summary and additional detail on the Opportunity Housing properties, the Development Corporation properties, the Public Housing and Housing Choice Voucher ("HCV") Programs and all Capital Improvements Budgets.

HOC Overall (see Attachment A)

The Agency's Audited Financial Statements are presented on the accrual basis, which reflects non-cash items such as depreciation and the mark-to-market adjustment for investments.

The Commission approves the Operating Budget at the fund level based on a modified accrual basis, which is similar to the presentation of budgets by governmental organizations. The purpose is to ensure that there is sufficient cash income and short-term receivables available to pay for current operating expenditures.

The Commission approves the revenues, expenses, and unrestricted net cash flow from operations for each fund. Unrestricted net cash flow in each fund is what is available to the Commission to use for other purposes. The FY'22 Third Quarter Operating Budget to Actual Comparison (Attachment A) shows unrestricted net cash flow or deficit for each of the funds. Attachment A also highlights the FY'22 Third Quarter Budget to Actual Comparison for Capital Expenses.

The Agency ended the quarter with a net cash flow surplus of $4,054,959. This surplus resulted in a third quarter budget to actual positive variance of $2,832,053 when compared to the anticipated third quarter net cash flow surplus of $1,222,906. The primary causes were savings in various expense categories in the General Fund (see General Fund) coupled with higher income which was countered by lower unrestricted cash flow in some of the unrestricted Opportunity Housing Properties as a result of property performance (see Opportunity Housing Fund).

Explanations of Major Variances by Fund

The **General Fund** consists of the basic overhead costs for the Agency. This fund ended the quarter with a deficit of $2,847,254 which resulted in a positive variance of $3,740,657, when compared to the projected deficit of $6,587,911.

As of March 31, 2022, income in the General Fund was $716,474 higher than budgeted and expenses were $3,024,183 lower than budgeted. The positive income variance was primarily the result of receiving additional Development Fee Income coupled with fees received from tax credit properties based on the year-end cash flow distributions that were partially offset by delayed Commitment Fee income and lower draws from the Opportunity Housing Reserve Fund ("OHRF") for Real Estate personnel and predevelopment costs. Whereas Commitment Fee income is a one-time fee that is received at the time the transaction is financed, Development Fee Income is many times received in phases depending on the achievement of certain thresholds especially as it relates to transactions financed as a Low Income Housing Tax Credit ("LIHTC") Partnership. Development Fees for Stewartown and West Side Shady Grove that had been budgeted in FY'21 were received in FY'22. In addition, unbudgeted Development Fees were received for Fenton Silver Spring, Alexander House, and Greenhills. The additional Development Fee income was partially offset by lower Commitment Fee income that was the result of timing changes in the capital development transactions for Hillandale Gateway and The Metropolitan. Both the anticipated Commitment and Development fees for the two transactions are now captured in the FY'23 Budget that will be presented to the Commission for adoption.

The positive expense variance was primarily the result of lapse in salary and benefits coupled with savings in professional services, computer software, maintenance contracts, COVID-19 expense and transfers to cover capital projects. A portion of these savings is the result of timing issues and staff does not anticipate the full savings to be realized at year end.

The **Multifamily Bond Fund** and **Single Family Bond Fund** are budgeted to balance each year.

Income (the bond drawdowns that finance the administrative costs for these funds) is in line with the budget. The Multifamily and Single Family Bond Funds experienced positive expense variances of $212,040 and $154,557, respectively, as a result of salary and benefit lapse coupled with savings in professional services and fee expense.

The Opportunity Housing Fund

Attachment B is a chart of the Net Cash Flow for the Development Corporation Properties. This chart divides the properties into two groups.

The first group includes properties that were budgeted to provide unrestricted net cash flow toward the Agency's FY'22 Operating Budget. This group ended the quarter with cash flow of $5,679,204 or $375,741 lower than projected.

- **Alexander House Dev Corp** ended the quarter with a negative cash flow variance of $17,400 as a result of lower tenant income and higher concessions that was partially offset by lower vacancy loss and savings in administrative, bad debt and utilities expense offset by overages in maintenance. **Glenmont Crossing Dev Corp** experienced a negative cash flow variance of $93,948 primarily as a result of higher utilities that was slightly countered by savings in bad debt and maintenance expense and lower vacancy. **Magruder's Discovery Dev Corp** experienced a negative cash flow variance of $127,503 mostly as a result of lower tenant income and higher vacancy coupled with overages in maintenance, utilities and administrative expense. Cash flow at **Montgomery Arms Dev Corp** was $77,470 lower than anticipated primarily due to higher maintenance and bad debt expense coupled with lower gross tenant rents and higher concessions partially offset by lower vacancy loss. **Paddington Square Dev Corp** reported a negative variance of $134,020 due to higher utilities, maintenance and insurance coupled with lower gross tenant rents and higher concessions, partially offset by lower bad debt and administrative expense. Cash flow at **Scattered Site One Dev Corp** was $73,377 lower than anticipated due to higher bad debt, maintenance and utility costs coupled with higher vacancy loss that was partially offset by savings in administrative costs and higher gross tenant rents. **VPC One Dev Corp** experienced a positive cash flow variance of $96,268 due to lower bad debt, insurance and tax costs coupled with lower vacancy loss that was partially offset by higher concessions and overages in maintenance expense. **VPC Two Dev Corp** experienced a negative variance of $24,510 primarily due to overages in maintenance and administrative expenses coupled with lower gross rents that was countered by lower bad debt, utility and insurance costs coupled with lower vacancy loss.

- The second group consists of properties whose cash flow will not be used for the Agency's FY'22 Operating Budget. Cash flow from this group of Development Corporation properties was $970,046 more than budgeted for the quarter. **MetroPointe** experienced a negative cash flow variance of $29,546 as a result of higher than anticipated administrative, COVID-19 and bad debt expenses coupled with lower gross rents that were partially offset by lower vacancy loss and higher parking income at the property. Cash flow at the **Oaks at Four Corners Dev Corp** was $84,940 higher than anticipated due to savings in maintenance, administrative and tenant services expenses. The **RAD 6 Dev Corp** properties ended the quarter with a surplus of $437,358 resulting in a positive cash flow variance of $914,652 largely due to the receipt of prior period subsidies. The positive variance in subsidy payments was $882,190. If the additional subsidy income was not received, the portfolio would have experienced a positive cash flow variance of $32,462 ($914,652 - $882,190 = $32,462). The positive variance at **Seneca Ridge** was offset by higher maintenance expense at the property, while the positive variance at **Washington Square** was offset by higher administrative, maintenance, utilities and bad debt expense.

Attachment C is a chart of the Net Cash Flow for the Opportunity Housing Properties. This chart divides the properties into two groups.

- The first group includes properties that were budgeted to provide unrestricted net cash flow toward the Agency's FY'22 Operating Budget. This group ended the quarter with cash flow of $1,245,337 or $510,535 less than projected. Cash flow at **MPDU I (64)** was $111,441 higher than anticipated as a result of lower debt service payments, due to the payoff of the mortgage in March 2021 that was not incorporated into the budget, and savings in administrative cost that was partially offset by overages in maintenance, bad debt and utility expense coupled with slightly higher vacancy loss. **Avondale Apartments** reported a negative cash flow variance of $109,331 primarily due to higher vacancy loss and concessions coupled with higher maintenance, bad debt and administrative expense. **Barclay Affordable** experienced a negative cash flow variance of $337,389 as a result of overages in utilities, maintenance and administrative cost coupled with lower gross rents and higher vacancies. **Camp Hill Square** experienced a negative cash flow variance of $119,848 as a result of higher vacancy loss coupled with higher maintenance, bad debt and administrative expenses that was partially offset by slightly higher gross rents and lower utility costs. **Chelsea Towers** experienced a positive cash flow variance of $80,684 due to lower debt service payments and savings in Housing Association ("HOA") Fees. **Elizabeth House Interim RAD** ended the quarter with a positive cash flow variance of $186,365 as a result of higher tenant income partially countered by overages in utility and security costs that were countered by savings in maintenance. At the time of the development of the FY22 Budget **Georgian Court Affordable**, the three **Manor** properties and **Shady Grove Apartments** were budgeted with four months of operations; however, due to the delay in the conversion of the properties, which occurred in December 2021, the properties experienced an additional two months of operating income and expenses. The additional rental income at **Georgian Court** and **Shady Grove** exceeded the additional expenses resulting in positive variances at both properties. The three **Manor** properties **(Fair Hill Farm, Cloppers Mills and Colesville)** ended the quarter with negative variances due to higher vacancies to support the upcoming renovations coupled with overages in maintenance, administrative and utility expense that when combined with the additional two months of debt service payments exceeded the additional two months of rental income. **Holiday Park** reported a negative cash flow variance of $20,541 primarily due to overages in maintenance and utility costs coupled with slightly lower gross rents, offset by lower bad debt expense. **Jubilee Hermitage** experienced a negative cash flow variance of $16,575 largely due to the payment for utility bills from prior periods coupled with higher bad debt and vacancy loss. Cash flow for **Jubilee Woodedge** was $11,794 lower than projected mainly resulting from lower tenant income that was partially offset by savings in maintenance expense. **Manchester Manor** reported a negative variance of $77,912 due to overages throughout most expense categories coupled with lower subsidy payments. **McHome** experienced a negative cash flow variance of $24,313 as a result of higher vacancy loss coupled with overages in administrative and utilities costs offset by savings in maintenance and bad debt expenses. Cash flow at **McKendree** was $24,267 higher than anticipated due to lower bad debt and administrative expense partially offset by slightly higher maintenance costs. **Metropolitan Affordable** ended the quarter with a positive variance of $90,572 as a result of higher gross tenant rents and lower vacancy loss coupled with savings in maintenance and utility expenses. **MHLP VIII** experienced a negative variance of $37,804 due to lower gross rents and higher vacancies coupled with overages in maintenance, administrative, and utility costs. **MHLP IX Scattered Sites** experienced a negative cash flow variance of $59,112 mainly due to lower gross rents and higher vacancy loss coupled with overages in maintenance, administrative and utility costs that was countered by savings in real estate tax resulting from the state PILOT agreement that has been established for the property resulting in a savings in taxes. **MHLP X** experienced positive cash flow variance of $84,791 mainly due to savings in real estate tax resulting from the state PILOT agreement that has been established for the property coupled with savings in administrative, utility and maintenance expenses that were partially offset by greater than anticipated bad debt expense and vacancy loss. **Pooks Hill Mid-Rise** experienced a negative cash flow variance of $18,550 as a result of higher vacancy loss and concession coupled with higher COVID-19 and security expenses that were partially offset by savings in maintenance and utilities. **Strathmore Court** experienced a negative cash flow variance of $79,572 as a result of overage in most expense categories coupled with lower gross rents that were partially offset by lower vacancy loss. **Strathmore Court Affordable** experienced a negative cash flow variance of $30,815 primarily as a result of higher maintenance, utilities and COVID-19 coupled with lower gross rents and higher than anticipated vacancy loss at the property. **TPP LLC Pomander Court** experienced a negative cash flow variance of $17,658 primarily as a result of higher maintenance and bad debt expense coupled with slightly lower gross rents that was partially offset by savings in administrative and utilities expenses coupled with 100% occupancy for the year resulting in lower vacancy loss. Cash flow for **TPP LLC Timberlawn** was $46,674 lower than budget primarily as a result of overages in maintenance, utility, COVID-19 and security expenses that were partially offset by savings in administrative, tenant services and bad debt expenses coupled with lower vacancy loss and higher tenant fee payments. **Westwood Towers** experienced a negative cash flow variance of $309,988 as a result of higher administrative, maintenance and security expenses coupled with higher concessions that were partially offset by lower vacancy loss coupled with higher gross rents and parking income and savings in utility costs. Cash flow at **The Willows** was $122,287 higher than anticipated mostly due to higher gross rents.

- The second group consists of properties whose cash flow will not be used for the Agency's FY'22 Operating Budget. Some of these properties have legal restrictions on the use of cash flow; others may have needs for the cash flow. Cash flow for this group of properties was $269,866 less than budgeted. The demolition of **The Ambassador** was completed in April of 2020. The property experienced expenses of $16,902 mainly driven by interest paid on the outstanding debt on the PNC Real Estate Line of Credit ("RELOC") and taxes. There are sufficient reserves at the property to cover the costs. **Bradley Crossing** ended the quarter with a negative variance of $382,427 as a result of higher vacancy loss and maintenance partially offset by higher gross rents coupled with savings in administrative, utility and bad debt expense. **Brooke Park** experienced a negative cash flow variance of $116,544 largely resulting from a delay in occupying the units post renovation. Cash flow at **Brookside Glen** was $129,028 lower than anticipated due to higher bad debt, maintenance, security and utilities coupled with lower gross rents and higher concessions that were partially offset by savings in administrative costs. **Cider Mill** reported a positive cash flow variance of $458,107 due to lower vacancy loss and concessions coupled with slightly higher gross tenant rents as well as lower bad debt expense partially offset by higher utility, maintenance costs and administrative expense. **Diamond Square** ended the year with a negative cash flow variance of $101,659 primarily as a result of overages in maintenance, utilities, security contracts and administrative cost. **Holly Hall Interim RAD**, which was vacated in November 2019 and therefore not budgeted, has continued to experience a small amount of expense for utilities, maintenance and solid waste tax expense of $22,328 which will be covered by unrestricted cash in the Opportunity Housing portfolio. **Paint Branch** experienced a negative cash flow variance of $23,476 due to higher maintenance costs coupled with higher vacancy loss. **Southbridge** ended the year with a positive cash flow variance of $23,633 due to lower vacancy loss coupled with savings in utility and administrative costs that were partially offset by small overages in maintenance. **State Rental Combined** experienced a positive cash flow variance of $82,419 as a result of lower concessions coupled with slightly higher gross tenant rents and savings in administrative, insurance and bad debt expense that were countered by overages in maintenance expenses. **Stewartown Affordable**, which converted to the tax credit portfolio on June 30, 2021, incurred additional operating costs in early FY'22 related to pre-conversion expenses that will be covered by funds in the old property.

<u>The Public Fund</u> (Attachment D)

- The FY'22 Budget was developed with no Public Housing property budgets Subsidies received in prior periods for **Victory Haven** while they were under the Master Lease have been transferred to the Victory Haven property. A small amount of expenses continued at **Emory Grove** for communication costs and solid waste tax.

- The Housing Choice Voucher Program ("HCVP") ended the quarter with a surplus of $1,463,923. The surplus was comprised of an administrative surplus of $1,893,554 countered by Housing Assistance Payment ("HAP") payments that exceeded HAP revenue by $429,631. The HAP shortfall will be covered by a draw from the HCVP reserve known as the Net Restricted Position ("NRP"), which includes funds received in prior years that were recognized but not used. The administrative surplus was the result of higher than anticipated administrative fee income coupled with savings in administrative expenses due largely to staff turnover. The higher administrative fee income was primarily the result of a higher proration factor that was changed to 84.78% and recently increased further to 88% compared to the budgeted rate of 83.832% coupled with the administrative fee income received to support the emergency and COVID 19 vouchers. We received notification from HUD that we will receive additional fees in the 4th Quarter of FY22 for the second increase in the proration.

<u>Tax Credit Partnerships</u>

The Tax Credit Partnerships have a calendar year end.

<u>The Capital Budget</u> (Attachment E)

Attachment E is a chart of the Capital Improvements Budget for FY'22. The chart is grouped in two sections – General Fund and Opportunity Housing properties. This report is being presented for information only. Most of the variances in the capital budgets reflect timing issues. Capital projects are long-term; therefore, it is very difficult to analyze each project on a quarterly basis. We will keep the Commission informed of any major issues or deviations from the planned Capital Improvements Budget.

Avondale Apartments exceeded the capital budget due to roof and emergency pipe replacement. **Brookside Glen**, **Camp Hill Square, MHLP IX Scattered Sites** and **Westwood Tower** have overspent the FY'22 capital budget as a result of flooring/carpet and appliance replacement coupled with plumbing and kitchen work. **Jubilee Horizon Court** exceeded the capital budget due to Grounds/Landscaping and HVAC Contracts. **Ken Gar** overspent the capital budget by a nominal amount due to work related to tree removal and the replacement of parking lot LED lamps. **Manchester Manor** overspent the capital budget due to HVAC, elevator, appliance and flooring contracts. **MHLP VIII** exceeded its capital budget as a result of appliance and window replacement. **MHLP IX - Pond Ridge** exceeded its capital budget as a result of appliance replacements for four vacant units as well as six occupied units requiring an appliance to be replaced. **MHLP X** overspent its capital budget due to flooring and appliance replacement. **MPDU I (64)** has overspent the FY'22 capital budget as a result of flooring/carpet and appliance replacement coupled with kitchen work. **Paint Branch** nominally exceeded its capital budget due to HVAC and appliance replacement. **Paddington Square Dev Corp** has exceeded its FY'22 capital budget as a result of flooring/carpet work. **State Rental** has exceeded its FY'22 capital budget as a result of flooring/carpet and appliance replacement coupled with plumbing and kitchen work. **Scattered Site One** and **Scattered Site Two** have overspent the capital budgets largely as a result of appliance equipment and flooring. **Seneca Ridge** exceeded its capital budget as a result of flooring and carpeting, HVAC and appliance replacements. **Stewartown Affordable,** which converted to the tax credit portfolio on June 30, 2021, experienced a small capital charge due to delayed billing for a charge related to flooring/carpeting work at the property prior to conversion. **The Willows** overspent its capital budget due to plumbing.

As stated previously, the conversion of **Georgian Court Affordable** and the three **Manor** properties was delayed, which has resulted in the properties exceeding their respective capital budgets. **Georgian Court Affordable** has exceeded its FY'22 capital budget by $11,938 mainly as a result of flooring/carpeting work and kitchen refinishing. The **Manor at Cloppers Mill** has overspent its FY'22 capital budget due to HVAC and plumbing replacements. The **Manor at Colesville** exceeded the capital budget due to work related to dryer vent cleaning and the replacement of the waste caddy and office copier. The **Manor at Fair Hill Farm** overspent as a result of unanticipated plumbing and HVAC expenditures and replacement of the trash compactor.

The majority of the properties have sufficient property reserves to cover the overages. Where this is not the case, staff is reviewing the obligations from the Opportunity Housing Property Reserve ("OHPR") to ensure sufficient funds are available to cover the balance of the overages.

FY 2022 Third Quarter Operating Budget to Actual Comparison

	Unrestricted Net Cash Flow (9 Months) Budget	(9 Months) Actual	Variance
General Fund			
General Fund	($6,587,911)	($2,847,254)	$3,740,657
Administration of Multifamily and Single Family Fund			
Multifamily Fund	$479,482	$691,522	$212,040
Draw from / (Restrict to) Multifamily Bond Fund	($479,482)	($691,522)	($212,040)
Single Family Fund	$309,803	$464,360	$154,557
Draw from / (Restrict to) Single Family Bond Fund	($309,803)	($464,360)	($154,557)
Opportunity Housing Fund			
Opportunity Housing Properties	$1,755,872	$1,223,009	($532,863)
Development Corporation Property Income	$6,054,945	$5,679,204	($375,741)
OHRF			
OHRF Balance	$4,363,278	$4,229,749	($133,529)
Excess Cash Flow Restricted	($4,363,278)	($4,229,749)	$133,529
Draw from existing funds	$0	$0	$0
Net -OHRF	**$0**	**$0**	**$0**
SUBTOTAL - General Fund, Multifamily, Single Family, Opportunity Housing	**$1,222,906**	**$4,054,959**	**$2,832,053**
Public Fund			
Public Housing Rental (1)	$0	($78,975)	($78,975)
Housing Choice Voucher Program HAP (2)	$2,255,745	($429,631)	($2,685,376)
Housing Choice Voucher Program Admin (3)	$155,366	$1,893,554	$1,738,188
Total -Public Fund	**$2,411,111**	**$1,384,948**	**($1,026,163)**
Public Fund - Reserves			
(1) Public Housing Rental - Draw from / Restrict to Program	$0	$78,975	$78,975
(2) Draw from / Restrict to HCV Program Cash Reserves	($2,255,745)	$429,631	$2,685,376
(3) Draw from / Restrict to HCV Program Excess Admin Fee	($155,366)	($1,893,554)	($1,738,188)
SUBTOTAL - Public Funds	**$0**	**$0**	**$0**
TOTAL - All Funds	**$1,222,906**	**$4,054,959**	**$2,832,053**

FY 2022 Third Quarter Operating Budget to Actual Comparison

	Capital Expenses (12 Months) Budget	(9 Months) Actual	Variance
General Fund			
880 Bonifant	$277,000	$54,710	$222,290
East Deer Park	$95,000	$4,778	$90,222
Kensington Office	$160,000	$65,000	$95,000
Information Technology	$844,580	$500,431	$344,149
Opportunity Housing Fund	$7,386,785	$4,362,937	$3,023,848
TOTAL - All Funds	**$8,763,365**	**$4,987,856**	**$3,553,219**

FY 2022 Third Quarter Operating Budget to Actual Comparison

Development Corp Properties - Net Cash Flow

	(9 Months) Net Cash Flow Budget	Variance Income	Variance Expense	(9 Months) Net Cash Flow Actual	Variance
Properties with unrestricted cash flow for FY21 operating budget					
Alexander House Dev Corp	($215,723)	($111,404)	$94,005	($233,123)	($17,400)
The Barclay Dev Corp	($66,701)	$13,502	($14,637)	($67,836)	($1,135)
Glenmont Crossing Dev Corp	$321,791	$4,015	($97,964)	$227,843	($93,948)
Glenmont Westerly Dev Corp	$125,599	$31,343	($15,388)	$141,555	$15,956
Magruder's Discovery Dev Corp	$636,820	($83,057)	($44,446)	$509,317	($127,503)
The Metropolitan Dev Corp	$1,577,732	($83,209)	$101,811	$1,596,333	$18,601
Montgomery Arms Dev Corp	$310,143	($12,010)	($65,460)	$232,673	($77,470)
MPDU II (59) Dev Corp	$262,175	$12,701	$10,764	$285,640	$23,465
Paddington Square Dev Corp	$501,018	($57,090)	($76,930)	$366,998	($134,020)
Pooks Hill High-Rise Dev Corp	$396,985	$15,591	$1,548	$414,123	$17,138
Scattered Site One Dev Corp	$169,039	$51,979	($125,356)	$95,662	($73,377)
Scattered Site Two Dev Corp	($57,356)	($8,693)	$5,071	($60,978)	($3,622)
Sligo MPDU III Dev Corp	($6,826)	$11,007	($5,190)	($1,010)	$5,816
VPC One Dev Corp	$1,224,303	$28,156	$68,112	$1,320,571	$96,268
VPC Two Dev Corp	$875,946	$68,763	($93,273)	$851,436	($24,510)
Subtotal	**$6,054,945**	**($118,406)**	**($257,333)**	**$5,679,204**	**($375,741)**
Properties with restricted cash flow (external and internal)					
MetroPointe Dev Corp	($140,443)	$30,633	($60,180)	($169,989)	($29,546)
Oaks at Four Corners Dev Corp	$15,074	$1,763	$83,177	$100,014	$84,940
RAD 6 Dev Corp Total	**($477,294)**	**$969,300**	**($54,650)**	**$437,358**	**$914,652**
Ken Gar Dev Corp	($42,237)	$126,089	$5,231	$89,084	$131,321
Parkway Woods Dev Corp	$2,835	$135,436	$15,272	$153,542	$150,707
Sandy Spring Meadow Dev Corp	($26,589)	$175,518	$45,099	$194,028	$220,617
Seneca Ridge Dev Corp	($286,498)	$239,250	($62,391)	($109,638)	$176,860
Towne Centre Place Dev Corp	($39,590)	$232,703	$10,278	$203,391	$242,981
Washington Square Dev Corp	($85,215)	$60,304	($68,139)	($93,049)	($7,834)
Subtotal	**($602,663)**	**$1,001,696**	**($31,653)**	**$367,383**	**$970,046**
TOTAL ALL PROPERTIES	**$5,452,282**	**$883,290**	**($288,986)**	**$6,046,587**	**$594,305**

FY 2022 Third Quarter Operating Budget to Actual Comparison

For Opportunity Housing Properties - Net Cash Flow

	(9 Months) Net Cash Flow Budget	Variance Income	Variance Expense	(9 Months) Net Cash Flow Actual	Variance
Properties with unrestricted cash flow for FY22 operating budget					
MPDU I (64)	$35,977	($19,415)	$130,856	$147,418	$111,441
Avondale Apartments	$111,314	($62,412)	($46,920)	$1,983	($109,331)
Barclay Affordable	$87,420	($98,566)	($238,823)	($249,969)	($337,389)
Camp Hill Square	$154,739	($70,143)	($49,705)	$34,891	($119,848)
Chelsea Towers	($11,628)	$2,369	$78,315	$69,056	$80,684
Day Care at Lost Knife Road	($23,741)	$11,645	($21,514)	($33,610)	($9,869)
Elizabeth House Interim RAD	$41,532	$231,309	($44,943)	$227,897	$186,365
Fairfax Court	$53,106	$15,225	($11,389)	$56,942	$3,836
Georgian Court Affordable	$108,992	$233,567	($176,255)	$166,303	$57,311
Holiday Park	$8,469	($3,667)	($16,874)	($12,072)	($20,541)
Jubilee Falling Creek	($16,589)	($743)	$3,982	($13,350)	$3,239
Jubilee Hermitage	($583)	($2,554)	($14,021)	($17,158)	($16,575)
Jubilee Horizon Court	($3,687)	($90)	$2,200	($1,577)	$2,110
Jubilee Woodedge	$3,139	($15,885)	$4,091	($8,655)	($11,794)
Manchester Manor	$10,440	($24,665)	($53,247)	($67,472)	($77,912)
The Manor at Cloppers Mill	$33,627	$179,475	($197,010)	$16,093	($17,534)
The Manor at Colesville	$50,290	$168,068	($189,791)	$28,567	($21,723)
The Manor at Fair Hill Farm	$42,689	$194,499	($261,285)	($24,097)	($66,786)
McHome	$85,100	($32,970)	$8,657	$60,787	($24,313)
McKendree	$20,415	$1,098	$23,169	$44,682	$24,267
Metropolitan Affordable	($367,771)	$54,646	$35,926	($277,199)	$90,572
MHLP VII	$40,278	($26,543)	$22,516	$36,251	($4,027)
MHLP VIII	$82,065	($60,867)	$23,064	$44,261	($37,804)
MHLP IX Pond Ridge	($92,745)	($58,039)	$64,147	($86,637)	$6,108
MHLP IX Scattered Sites	($133,271)	($114,113)	$55,001	($192,383)	($59,112)
MHLP X	($52,843)	($19,575)	$104,366	$31,948	$84,791
MPDU 2007 Phase II	$8,958	($294)	$11,879	$20,544	$11,586
Olney Sandy Spring Road	($5,832)	($1,462)	($410)	($7,704)	($1,872)
Pooks Hill Mid-Rise	$175,650	($19,769)	$1,218	$157,100	($18,550)
Shady Grove Apts	$304,812	$363,976	($219,421)	$449,367	$144,555
Strathmore Court	$514,415	($4,475)	($75,096)	$434,843	($79,572)
Strathmore Court Affordable	($390,379)	($12,278)	($18,537)	($421,194)	($30,815)
TPP LLC Pomander Court	$46,573	$7,731	($25,388)	$28,915	($17,658)
TPP LLC Timberlawn	$484,177	$63,758	($110,432)	$437,503	($46,674)
Westwood Tower	$292,054	$157,570	($467,557)	($17,934)	($309,988)
The Willows	$58,710	$121,256	$1,031	$180,997	$122,287
Subtotal	**$1,755,872**	**$1,157,667**	**($1,668,200)**	**$1,245,337**	**($510,535)**
Properties with restricted cash flow (external and internal)					
The Ambassador	$0	$0	($16,902)	($16,902)	($16,902)
Bradley Crossing	$841,618	($460,168)	$77,740	$459,191	($382,427)
Brooke Park	$74,262	($122,329)	$5,785	($42,282)	($116,544)
Brookside Glen (The Glen)	$155,817	($39,384)	($89,644)	$26,789	($129,028)
CDBG Units	$2,496	($779)	$6,122	$7,839	$5,343
Cider Mill Apartments	$141,228	$620,868	($162,761)	$599,335	$458,107
Dale Drive	$4,465	($73)	($24,892)	($20,500)	($24,965)
Diamond Square	$260,721	($3,587)	($98,072)	$159,062	($101,659)
Holly Hall Interim RAD	$0	$1	($22,329)	($22,328)	($22,328)
NCI Units	$16,302	($10,646)	$20,166	$25,822	$9,520
NSP Units	$12,370	($9,727)	$12,474	$15,117	$2,747
King Farm Village	$3,542	($60)	($44)	$3,438	($104)
Paint Branch	$54,148	($11,236)	($12,240)	$30,672	($23,476)
Southbridge	$29,499	$12,924	$10,709	$53,132	$23,633
State Rental Combined	($162,335)	$67,409	$15,009	($79,916)	$82,419
Stewartown Affordable	$0	$135	($34,337)	($34,202)	($34,202)
Subtotal	**$1,434,133**	**$43,348**	**($313,216)**	**$1,164,267**	**($269,866)**
TOTAL ALL PROPERTIES	**$3,190,005**	**$1,201,015**	**($1,981,416)**	**$2,409,604**	**($780,401)**

FY 2022 Third Quarter Operating Budget to Actual Comparison

For HUD Funded Programs

	(9 Months) Budget	(9 Months) Actual	Variance
Public Housing Rental			
Revenue	$0	$0	$0
Expenses	$0	$78,975	($78,975)
Net Income	**$0**	**($78,975)**	**($78,975)**
Housing Choice Voucher Program			
HAP revenue	$82,057,269	$81,429,602	($627,667)
HAP payments	$79,801,524	$81,859,233	$2,057,709
Net HAP	**$2,255,745**	**($429,631)**	**($2,685,376)**
Admin.fees & other inc.	$6,575,587	$8,587,699	$2,012,112
Admin. Expense	$6,420,221	$6,694,145	($273,924)
Net Administrative	**$155,366**	**$1,893,554**	**$1,738,188**
Net Income	**$2,411,111**	**$1,463,923**	**($947,188)**

FY 2022 Third Quarter Operating Budget to Actual Comparison

For Public Housing Rental Programs - Net Cash Flow

	(9 Months) Net Cash Flow Budget	Variance Income	Variance Expense	(9 Months) Net Cash Flow Actual	Variance
Elizabeth House	$0	$0	($69,661)	($69,661)	($69,661)
Emory Grove	$0	$0	($9,563)	($9,563)	($9,563)
TOTAL ALL PROPERTIES	**$0**	**$0**	**($79,224)**	**($79,224)**	**($79,224)**

Attachment D-1

FY 2022 Third Quarter Operating Budget to Actual Comparison

For Capital Improvements

	(12 Months) Budget	(9 Months) Actual	Variance
General Fund			
880 Bonifant	$277,000	$54,710	$222,290
East Deer Park	$95,000	$4,778	$90,222
Kensington Office	$160,000	$65,000	$95,000
Information Technology	$844,580	$500,431	$344,149
Subtotal	**$1,376,580**	**$624,919**	**$751,661**
Opportunity Housing			
Alexander House Dev Corp	$36,196	$30,491	$5,705
Avondale Apartments	$31,390	$52,697	($21,307)
The Barclay Dev Corp	$132,423	$72,446	$59,977
Barclay Affordable	$105,372	$74,379	$30,993
Bradley Crossing	$80,323	$33,321	$47,002
Brookside Glen (The Glen)	$88,752	$112,966	($24,214)
Camp Hill Square	$48,312	$52,547	($4,235)
CDBG Units	$10,320	$0	$10,320
Chelsea Towers	$16,050	$11,149	$4,901
Cider Mill Apartments	$1,617,656	$540,157	$1,077,499
Day Care at 9845 Lost Knife Road	$6,000	$0	$6,000
Dale Drive	$8,916	$1,303	$7,613
Diamond Square	$635,524	$0	$635,524
Elizabeth House Interim RAD	$5,950	$253	$5,697
Fairfax Court	$49,596	$45,964	$3,632
Georgian Court Affordable	$3,420	$15,358	($11,938)
Glenmont Crossing Dev Corp	$368,845	$83,096	$285,749
Glenmont Westerly Dev Corp	$150,924	$54,849	$96,075
Holiday Park	$19,983	$3,799	$16,184
Jubilee Falling Creek	$9,650	$0	$9,650
Jubilee Hermitage	$8,600	$2,497	$6,103
Jubilee Horizon Court	$9,219	$13,253	($4,034)
Jubilee Woodedge	$8,560	$1,645	$6,915
Ken Gar Dev Corp	$15,271	$18,978	($3,707)
King Farm Village	$2,300	$0	$2,300
Magruder's Discovery Dev Corp	$69,147	$46,579	$22,568
Manchester Manor	$31,092	$37,680	($6,588)
Manor at Cloppers Mill	$25,040	$60,770	($35,730)
Manor at Colesville	$15,740	$31,130	($15,390)
Manor at Fair Hill Farm	$40,300	$178,096	($137,796)
McHome	$74,500	$34,976	$39,524
McKendree	$31,250	$12,152	$19,098
MetroPointe Dev Corp	$673,671	$31,175	$642,496
The Metropolitan Dev Corp	$62,728	$40,879	$21,849
Metropolitan Affordable	$26,888	$13,722	$13,166
Montgomery Arms Dev Corp	$84,017	$51,352	$32,665
MHLP VII	$43,346	$31,460	$11,886
MHLP VIII	$49,000	$56,564	($7,564)
MHLP IX - Pond Ridge	$71,034	$109,977	($38,943)
MHLP IX - Scattered Sites	$76,250	$90,277	($14,027)
MHLP X	$93,600	$119,487	($25,887)
MPDU 2007 Phase II	$10,296	$5,426	$4,870
617 Olney Sandy Spring Road	$2,268	$0	$2,268
MPDU I (64)	$64,604	$85,690	($21,086)
MPDU II (59) Dev Corp	$82,670	$70,195	$12,475
Oaks at Four Corners Dev Corp	$183,826	$56,076	$127,750
NCI Units	$49,920	$17,419	$32,501
NSP Units	$9,558	$1,805	$7,753
Paddington Square Dev Corp	$101,356	$101,718	($362)
Paint Branch	$7,796	$9,098	($1,302)
Parkway Woods Dev Corp	$26,316	$16,021	$10,295
Pooks Hill High-Rise Dev Corp	$56,204	$11,555	$44,649
Pooks Hill Mid-Rise	$49,904	$35,596	$14,308
Sandy Spring Meadow Dev Corp	$15,352	$8,160	$7,192
Scattered Site One Dev Corp	$211,150	$222,062	($10,912)
Scattered Site Two Dev Corp	$47,000	$53,163	($6,163)
Seneca Ridge Dev Corp	$51,204	$59,832	($8,628)
Shady Grove Apts	$12,734	$10,535	$2,199
Sligo MPDU III Dev Corp	$23,550	$22,872	$678
Southbridge	$28,176	$8,347	$19,829
State Rental Combined	$201,350	$312,758	($111,408)
Stewartown Affordable	$0	$1,149	($1,149)
Strathmore Court	$163,280	$161,776	$1,504
Strathmore Court Affordable	$88,058	$56,529	$31,529
Towne Centre Place Dev Corp	$15,964	$8,413	$7,551
TPP LLC Pomander Court	$23,222	$4,041	$19,181
TPP LLC Timberlawn	$85,656	$38,953	$46,703
VPC One Dev Corp	$210,400	$204,479	$5,921
VPC Two Dev Corp	$191,400	$144,415	$46,985
Washington Square Dev Corp	$56,236	$27,301	$28,935
Westwood Tower	$196,800	$238,461	($41,661)
The Willows	$183,380	$201,668	($18,288)
Subtotal	**$7,386,785**	**$4,362,937**	**$3,023,848**
TOTAL	**$8,763,365**	**$4,987,856**	**$3,775,509**

MEMORANDUM

TO: Housing Opportunities Commission of Montgomery County Budget, Finance and Audit Committee

VIA: Kayrine Brown, Acting Executive Director

FROM:

Staff:	Timothy Goetzinger	Division: Finance Ext. 4836
	Eugenia Pascual	Finance Ext. 9478
	Francisco Vega	Finance Ext. 4873
	Claudia Wilson	Finance Ext. 9474
	Niketa Patel	Finance Ext. 9584
	Nilou Razeghi	Finance Ext. 9494

RE: **Fiscal Year 2022 (FY'22) Third Quarter Un-Audited Financial Statements:** Presentation of the Unaudited Financial Statements for the Third Quarter Ended March 31, 2022

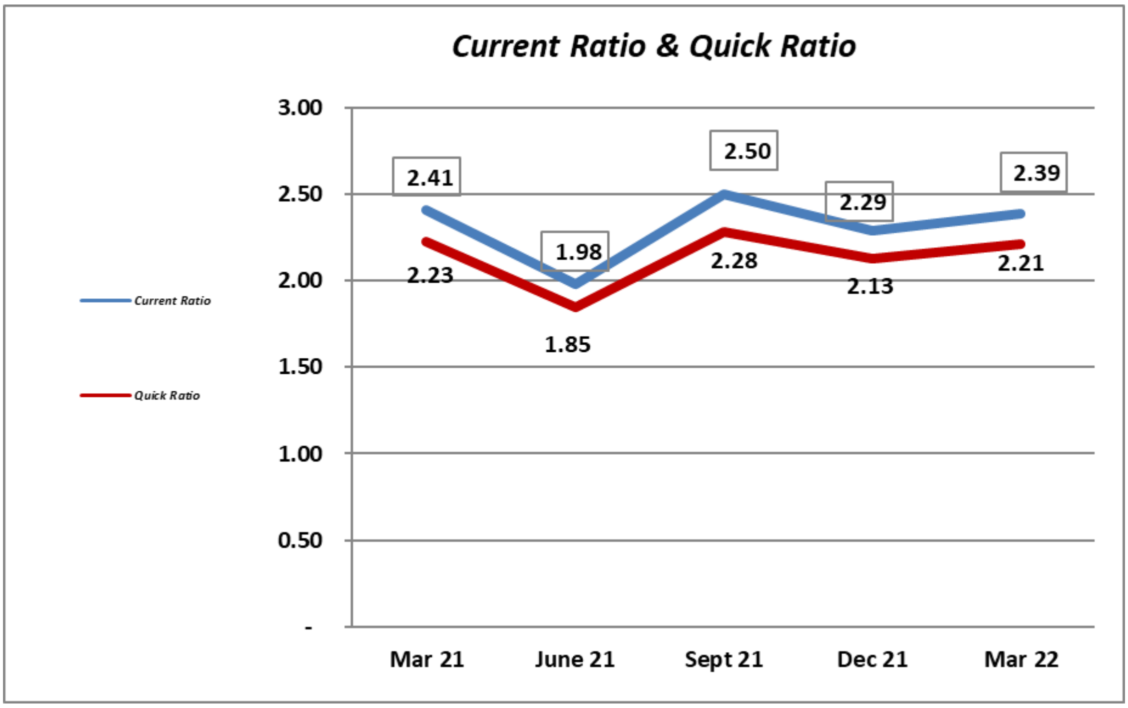
DATE: May 24, 2022

Attached, please find the un-audited consolidated financial statements for the Housing Opportunities Commission of Montgomery County ("HOC" or "Commission")) for the third quarter ended March 31, 2022.

Financial Highlights

- The Commission's net position increased by $65.3 million or 28%, primarily due to the gain on the sale of Shady Grove Apartments, Georgian Court Apartments, and the three Manor Properties (The Manor at Colesville LLC, The Manor at Cloppers Mill LLC and The Manor at Fair Hill Farm LLC) to their respective new special purpose owner entities.

- The Commission's current ratio (ratio of current assets to current liabilities) increased from 1.98 in June 2021 to 2.39 in March 2022. The quick ratio (the ratio is an indicator of liquidity, reflecting current assets that can be converted to cash within 90 days) also increased from 1.85 in June 2021 to 2.21 in March 2021. The increase is driven by an increase in the OHRF current assets attributed to the proceeds from the sale of Shady Grove Apartments, Georgian Court Apartments, and the three Manor Properties, partly offset by additional bond draws for HOC at Westside Shady Grove LLC, HOC at Stewartown LLC, and Bauer Park Apartments LP.



- The Commission's total assets excluding the deferred outflows of resources increased by $103 million or 5.5% since June 30, 2021. This is largely due to an increase in mortgage and construction loans receivable, unrestricted cash and cash equivalents, partially offset by a decrease in net capital assets, and cash for current bonds payable.

- The overall net increase in total mortgage and construction loans receivable is driven by the Multifamily Bond Fund mortgage receivables on the MHDB 2021 Series-C&D bond issue for HOC Willow Manor LLC, HOC at Georgian Court LLC and HOC at Shady Grove LLC, and the Housing Production Fund for HOC at Westside Shady Grove LLC. The Opportunity Housing Fund also increased mainly due to the Seller Notes provided for these real estate transactions. The increase is partially offset by a decrease in the Single Family Bond Fund due to fifty-two (52) mortgage loan payoffs and prepayments as well as the scheduled principal amortization under both the Single Family Bond Fund and Multifamily Bond Fund.

- The increase in unrestricted cash and cash equivalents is attributed primarily to the receipt of settlement proceeds from the Shady Grove Apartments, Georgian Court Apartments, and the three Manor Properties (The Manor at Cloppers LLC, The Manor at Colesville LLC and The Manor at Fairhill LLC) real estate transactions. This increase in cash is partially offset by the repayment of the Bradley Crossing County loans and additional draws for Hilllandale predevelopment expenses from the OHRF, the payment to the County of the FY'22 Self Insurance Fund contribution, rental license fees, real estate taxes, FY'22 OPEB prefunding contribution, and the timing of the reimbursements of capital expenses from properties under construction.

- The decrease in net capital assets is primarily attributed to the sale of Shady Grove Apartments, Georgian Court Apartments, and the three Manor Properties along with the normal depreciation of assets for the first three quarters of the FY'22, partially offset by the acquisition of HOC at Avondale, LLC.

- The Multifamily Bond Fund outstanding bonds payable increased due to the issuance of MHDB 2021 Series C&D for $111.4 million related to the HOC at Willow Manor, LLC, HOC at Shady Grove, LLC, and HOC at Georgian Court, LLC transactions. The 2021 Housing Production Fund ("HPF") Limited Obligation Bond was also issued for $50 million that will provide construction bridge financing for residential rental developments in the HOC's pipeline. As of March 31, 2022, $14.3 million was drawn from the HPF to fund a loan to the Westside Shady Grove development.

- The Multifamily Fund redeemed and retired bonds for $14.9 million under the Multifamily Housing Development Bonds (1996 Indenture), $0.6 million under the Stand Alone Bond 1998 Issue, $0.3 million under the Multifamily Housing Revenue Bonds (1984 Indenture) and $0.2 million under the Multifamily Housing Bonds (2009 Indenture).

- The SF Bond Fund redeemed and retired bonds of about $27.5 million under the 1979 Indenture, $20.7 million under the 2009 Indenture, and $9.4 million under the 2019 Indenture.

- The amount of U.S. Department of Housing and Urban Development ("HUD") Housing Choice Voucher Program, Housing Assistance Revenue received by the Commission increased by 3.7% from $88.4 million in FY'21 to $91.7 million in FY'22.

Overall Agency Net Income (Loss)

The Commission has a net income of $65.3 million as of third quarter ending March 31, 2022, compared to a net income of $6.1 million for the same period last year. However, after adjusting the net income (loss) for the recording of capital contributions, unrealized (gain)/loss on investments, gain (loss) on sale of assets, and real estate equity transfer in/out, HOC ended the period with a net income of $5 million as compared to a net loss of $1 million for the same period last fiscal year.

		FY 2022		FY 2021
Net Income (Loss)	$	65,275,883	$	6,130,388
Less:				
Capital Contributions		(10,531)		(14,826,412)
Unrealized (Gain)/Loss on Investments		8,975,429		4,568,273
Gain/(Loss) on sale of assets-Non-operating		(69,193,317)		3,257,324
Real estate equity transfer In /(out)		44,231		(166,727)
Adjusted Net Income (Loss)	$	5,091,695	$	(1,037,154)
Amount of Increase (Decrease)	$	6,128,849		

The unrealized (gains)/losses on investments in both bond funds reflect the hypothetical (gains)/losses on investments that would have been received or lost if those investments had been sold on the last day of the reporting period. HOC does not actively trade in securities; however, if planned properly or held to maturity, no recognized gain or loss should result from the investments.

Capital contributions in FY'21 represent contributions to the OHRF from the Bauer Park Apartments real estate transaction. The Gain/(Loss) on Sale of Assets includes the net gain from the sale of

Georgian Court Apartments, Shady Grove Apartments, and the three Manor properties in FY'22 and $3.3 million net loss from the demolition of the Ambassador building, which was recorded in FY'21.

Major contributors to HOC's adjusted net income of $5.1 million as of the third quarter ending March 31, 2022 are as follows:

	FY 2022 (in millions)	FY 2021 (in millions)	Variance
Housing Assistance Payments (HAP) Income	$ 91.7	$ 88.4	$ 3.3
Other Federal/State & County Grants	14.1	12.1	2.0
Investment Income	6.4	5.5	0.9
Interest on Mortgage and Construction Loans Receivable Income	5.2	4.7	0.5
Dwelling Rental Income	78.4	74.0	4.4
HAP Expense	(93.4)	(90.3)	(3.1)
Administration Expense	(33.9)	(31.0)	(2.9)
Maintenance Expense	(21.5)	(19.3)	(2.2)
Utilities Expense	(5.8)	(5.9)	0.1
Fringe Benefits	(9.3)	(8.1)	(1.2)
Interest Expense	(25.7)	(23.0)	(2.7)
Depreciation and amortization	(15.9)	(15.3)	(0.6)
Other Income Net of Other Expenses	14.8	7.2	7.6
Adjusted Net Income (Loss)	$ 5.1	$ (1.0)	$ 6.1

The Housing Assistance Payments (HAP) – revenue under the HCV Main Program as well as the incoming Portables increased in FY'22 as compared to FY2021. The lower HAP revenue in the Main Program in FY'21 is mainly attributed to an offset of the $2.6 excess HAP revenue as of December 31, 2019 against the HAP disbursement from HUD in July 2020. The $2.6 million was transitioned to HUD-held Reserve which will be available to the Agency when needed. This increase is partly offset by a decrease in the earned HAP revenue under the COVID-19 HCV Main Program. The HAP Expense increased in FY'22 due to an increase in leasing and leasing costs within HCV Vouchers, and Non-Elderly Persons with Disabilities payments.

The increase in the Other Federal/State/County grants is largely due to County Main Program, Capital Improvement Program (CIP), new Emergency Housing Vouchers, Fatherhood Initiative Program and Community Choice Homes Initiative Program.

The increase in the investment income is mainly attributed to income derived from investments of bond proceeds not yet drawn within the Multifamily Bond Fund primarily the MHDB 2021 Series ABCD. The increase is partly reduced by a decrease in the Single Family Bond Fund due to a decrease in MBS purchases (mortgage-backed securities) and lower interest rates.

The increase in dwelling rental income is largely driven by Bradley Crossing, LLC, which was acquired in June 2021. Other properties also contributed to higher rental income including the RAD 6 properties (Seneca Ridge, Towne Center Place, Sandy Spring, Parkway Woods and Ken-Gar), Cider Mill, Alexander House market units and VPC Two Corporation. This increase is partly reduced by the sale of the three Manor properties, Shady Grove Apartments, Georgian Court Apartments and Stewartown (MV Affordable Housing Associates LP) and Bad Debt expense in the Opportunity

Housing portfolio. Bad debt expense for the nine-month period July 2021 to March 2022 amounts to about $1.5 million. As of March 31, 2022, the tenant receivable balance has increased by $791,064 from June 30, 2021, totaling $6,714,662. Staff does anticipate that a portion of this amount will result in additional allowances and the potential for additional allowances to be set up in subsequent months to reflect the continuation of non-payments during the COVID-19.

The increase in administrative expense is mainly driven by the addition of Bradley expenses, cost of issuance related to Paddington Square refinancing, legal services and miscellaneous operating expenses of Westwood Tower, and rental license fees of Opportunity Housing properties. The General Fund administrative expenses also increased mainly due to on-line information services, administrative salaries and consulting fees. Public Fund expenses increased as well mainly due to tenant services and administrative salaries, incentives to Landlords as token of appreciation for COVID partnership with HOC, Fatherhood Program tuition assistance, and other operating services contract, partly offset by a decrease in tenant housing assistance.

The increase in maintenance expense is largely due to Bradley expenses, in addition to an increase in other Opportunity Housing Fund expenses for paint wallcoverings, appliance equipment, cleaning and janitorial contracts, plumbing equipment/contracts, flooring/carpeting, grounds and landscaping contracts, roofing/gutter, electrical/HVAC salaries and other miscellaneous contract. The General Fund also contributed to the increase attributed largely to payments of licenses and support services. The Public Fund also increased mainly due to procurement of software and hardware solutions to address COVID-19 including front office automation and Rent Café PHA Portal Package.

The increase in fringe benefits is largely due to FY’22 amortization of unfunded actuarial accrued pension liability paid to the County and an increase in health insurance, partially offset by a decrease in the accrued leave expense.

The increase in other income is primarily due to an increase in development fees, HAP administrative fees, non-operating revenue coupled with a decrease in other expenses. Other Expenses were higher in FY’21 mainly due to a change in the accounting treatment of Alexander House Development Corporation prior period-capitalized construction interest expense.

Adjusted Operating Revenue

The revenues from operations, when adjusted for HAP income and unrealized (gain)/loss on investments, increased by $11.7 million for the third quarter ending March 31, 2022, when compared to the third quarter ending March 31, 2021.

		FY 2022		FY 2021
Total Operating Revenue	$	204,924,480	$	194,363,744
Less:				
Housing Assistance Revenue		(91,663,701)		(88,383,780)
Unrealized (Gain)/Loss on Investments		8,975,429		4,568,273
Adjusted Total Operating Revenue	$	122,236,208	$	110,548,237
Amount of Increase (Decrease)	$	11,687,971		

All of the income categories registered an increase in FY’22 with the largest share from the dwelling rental income and management fees and other income. The rental income totaled $78.4 million in FY’22 compared to $74 million FY’21 and accounted for 38% of the overall net increase in the total adjusted operating revenue. The management fees and other income increased from $7.3 million in FY’21 to $ $10.3 million FY’22 attributed to development fee income from various real estate transactions.

Adjusted Operating Expenses

The operating expenses, when adjusted for HAP expense increased by $7 million for the third quarter ending March 31, 2022 when compared to the same period last fiscal year.

		FY 2022		FY 2021
Total Operating Expenses	$	212,025,513	$	201,917,911
Less:				
Housing Assistance Payments (HAP)		(93,362,323)		(90,246,854)
Adjusted Total Operating Expenses	$	118,663,190	$	111,671,057
Amount of Increase (Decrease)	$	6,992,133		

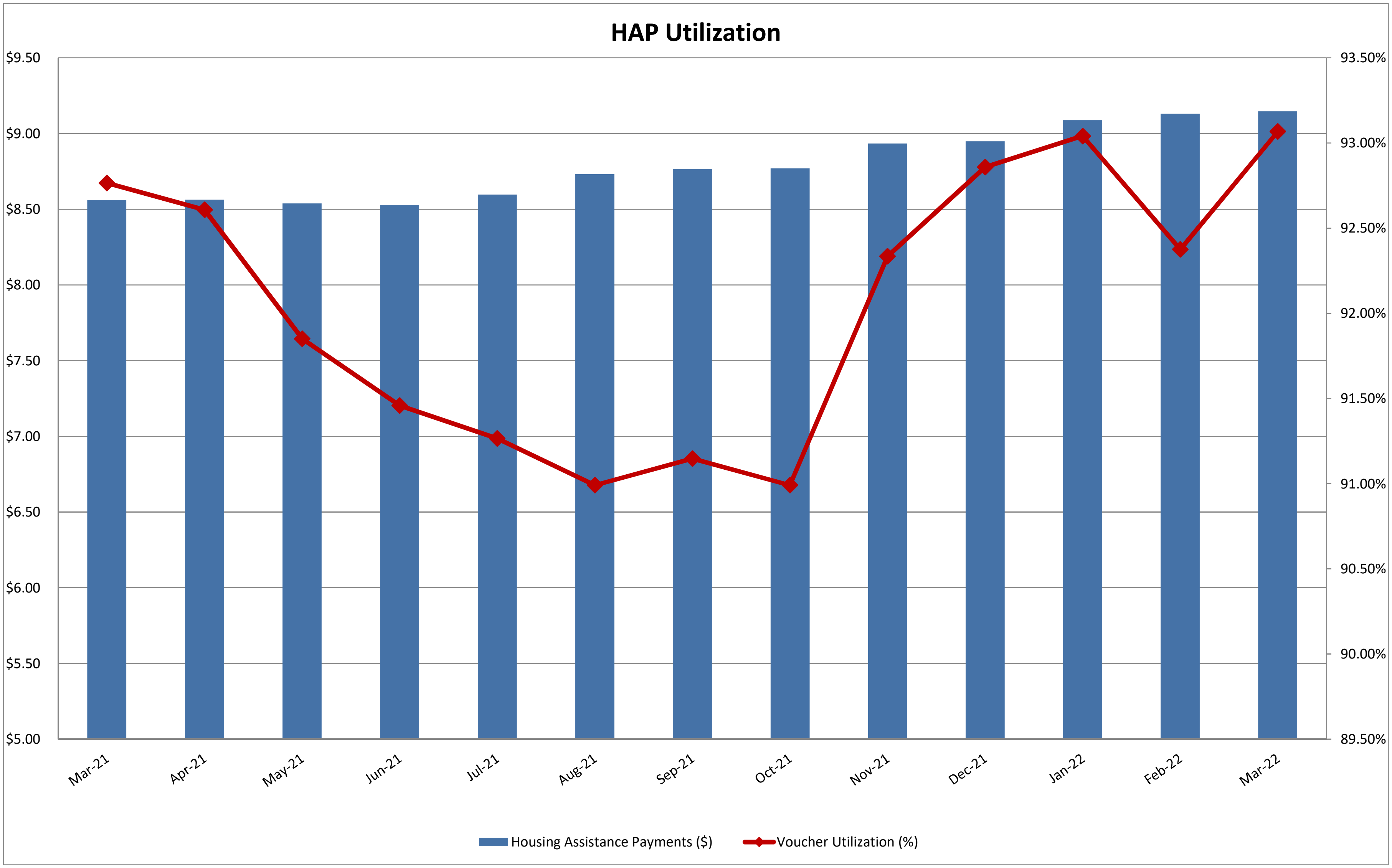
All of the expense categories contributed to the increase in the total adjusted operating expenses except other expenses, which decreased this year compared to last year.

Non-operating Revenues (Expenses)

The non-operating revenues net of non-operating expenses totaled $72 million for the third quarter ending March 31, 2022 as compared to a loss of $1.3 million for the same period last year. However, after adjusting for the gain on sale of assets from Shady Grove, Georgian Court and the three Manor properties in FY'22 and the net loss from the demolition of the Ambassador building in FY'21, the net non-operating revenues increased by $1.3 million as compared to the same period last fiscal year. The increase in non-operating revenue was due to an increase in investment income.

		FY 2022		FY 2021
Total Non-Operating Revenues (Expenses)	$	72,410,616	$	(1,308,584)
Less:				
Gain/(Loss) on sale of assets-Non-operating		(69,193,317)		3,257,324
Adjusted Total Non-Operating Revenues (Expenses)	$	3,217,299	$	1,948,740
Amount of Increase (Decrease)	$	1,268,559		

	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22
Housing Assistance Payments ($)	$8,560,105	$8,563,257	$8,538,786	$8,529,026	$8,597,176	$8,730,402	$8,765,958	$8,769,803	$8,934,438	$8,948,332	$9,088,312	$9,130,655	$9,146,425
Voucher Utilization (%)	92.76%	92.61%	91.85%	91.46%	91.27%	90.99%	91.15%	90.99%	92.34%	92.86%	93.04%	92.37%	93.07%
UNITS under LEASE	7,103	7,091	7,033	7,003	6,990	6,969	6,981	6,969	7,072	7,112	7,126	7,075	7,128
HUD Authorized BASE LINE	7,657	7,657	7,657	7,657	7,659	7,659	7,659	7,659	7,659	7,659	7,659	7,659	7,659



Housing Opportunities Commission of Montgomery County, Maryland
Combined Statements of Net Position
As of March 31, 2022 and June 30, 2021

Assets and Deferred Outflows	Note Num.	3/31/2022	6/30/2021	Dollar Variance	Percentage Variance
Current Assets					
Unrestricted:					
Cash and cash equivalents	-1.a.-	$ 139,340,542	$ 114,255,018	$ 25,085,524	21.96%
Interfund receivable (payable)		-	-	-	
Advances to component units	-1.b.-	8,774,592	2,292,242	6,482,350	282.80%
Accounts receivable and other assets	-1.c.-	25,577,249	29,193,066	(3,615,817)	(12.39%)
Accrued interest receivable	-1.d.-	13,295,997	10,229,505	3,066,492	29.98%
Mortgage and construction loans receivable -	-1.e.-	5,917,297	8,404,989	(2,487,692)	(29.60%)
Total unrestricted current assets		**192,905,676**	**164,374,820**	**28,530,856**	17.36%
Restricted cash and cash equivalents and investments:					
Restricted cash and cash equivalents	-1.f.-	219,401,439	223,822,777	(4,421,338)	(1.98%)
Restricted short-term investments	-1.g.-	4,416,119	6,590,395	(2,174,276)	(32.99%)
Cash for current bonds payable	-1.h.-	37,588,964	62,991,620	(25,402,656)	(40.33%)
Customer deposits		5,350,565	5,165,927	184,638	3.57%
Total restricted cash and cash equivalents and investme		**266,757,087**	**298,570,719**	**(31,813,632)**	(10.66%)
Total current assets		**459,662,763**	**462,945,539**	**(3,282,776)**	(0.71%)
Noncurrent Assets					
Restricted long-term investments		172,132,848	167,277,397	4,855,451	2.90%
Mortgage and construction loans receivable	-1.e.-	671,075,162	511,248,638	159,826,524	31.26%
Capital assets, net of depreciation	-1.i.-	631,140,978	691,208,857	(60,067,879)	(8.69%)
Investment in Component Units	-1.j.-	35,160,343	33,441,589	1,718,754	5.14%
Total noncurrent assets		**1,509,509,330**	**1,403,176,481**	**106,332,849**	7.58%
Total Assets		**1,969,172,093**	**1,866,122,020**	**103,050,073**	5.52%
Deferred Outflows of Resources					
Derivative Instrument	-1.k.-	21,270,199	21,902,486	(632,287)	(2.89%)
Fair value of hedging derivatives	-1.k.-	1,994,083	9,606,640	(7,612,557)	(79.24%)
Employer -Related Pension Activities	-1.k.-	43,170,695	43,170,695	(0)	0.00%
Employer -Related OPEB Activities	-1.k.-	6,329,917	6,329,917	(0)	(0.00%)
Total Assets and Deferred Outflows		**$ 2,041,936,987**	**$ 1,947,131,758**	**$ 94,805,229**	4.87%
Liabilities and Net Position					
Current Liabilities					
Accounts payable and accrued liabilities	-1.l.-	$ 27,274,149	$ 22,879,628	$ 4,394,521	19.21%
Undrawn Mortgage Proceeds Payable	-1.m.-	90,322,629	103,957,909	$ (13,635,280)	(13.12%)
Interfund Payable		-	-	-	
Accrued interest payable	-1.n.-	7,701,839	9,753,133	(2,051,294)	(21.03%)
Loans payable to Montgomery County - current	-1.q.-	240,567	445,585	(205,018)	(46.01%)
Mortgage notes and loans payable - current	-1.o.-	25,838,003	26,284,984	(446,981)	(1.70%)
Total current unrestricted liabilities		**151,377,189**	**163,321,239**	**(11,944,050)**	(7.31%)
Current Liabilities payable from restricted assets:					
Customer deposit payable		4,393,451	4,240,817	152,634	3.60%
Accrued interest payable		4,632,227	7,896,462	(3,264,235)	(41.34%)
Bonds payable - current	-1.p.-	31,988,733	55,095,158	(23,106,426)	(41.94%)
Total current liabilities payable from restricted assets		**41,014,410**	**67,232,437**	**(26,218,027)**	(39.00%)
Total current liabilities		**192,391,599**	**230,553,676**	**(38,162,077)**	(16.55%)
Noncurrent Liabilities					
Bonds payable	-1.p.-	722,993,028	612,121,337	110,871,691	18.11%
Mortgage notes and loans payable	-1.o.-	582,516,181	608,388,948	(25,872,767)	(4.25%)
Loans payable to Montgomery County	-1.q.-	87,717,935	104,585,051	(16,867,117)	(16.13%)
Unearned Revenue	-1.r.-	33,742,419	28,374,987	5,367,432	18.92%
Escrow and other deposits		18,903,089	17,098,349	1,804,740	10.56%
Net Pension liability		21,355,806	21,355,806	0	0.00%
Net OPEB liability		19,893,437	19,893,437	0	0.00%
Derivative investment - hedging		1,994,083	9,606,640	(7,612,557)	(79.24%)
Total noncurrent liabilities		**1,489,115,978**	**1,421,424,555**	**67,691,423**	4.76%
Total Liabilities		**1,681,507,577**	**1,651,978,231**	**29,529,346**	1.79%
Deferred Inflows of Resources					
Unamortized Pension Net Difference	-1.k.-	44,832,002	44,832,002	0	0.00%
Unamortized OPEB Net Difference	-1.k.-	14,459,638	14,459,638	(0)	(0.00%)
Total Deferred Inflows of Resources		59,291,640	59,291,640	(0)	(0.00%)
Net Position					
Net investment in capital assets		(135,403,691)	(131,205,426)	(4,198,265)	3.20%
Restricted		112,448,699	114,389,842	(1,941,143)	(1.70%)
Unrestricted		324,092,762	252,677,471	71,415,291	28.26%
Total Net Position		**301,137,770**	**235,861,887**	**65,275,883**	27.68%
Total Liabilities and Net Position		**$ 2,041,936,987**	**$ 1,947,131,758**	**$ 94,805,229**	4.87%

Housing Opportunities Commission of Montgomery County, Maryland
Combined Statements of Revenues and Expenses
As of March 31, 2022 and March 31, 2021

	Note Num.	FY22	FY21	Dollar Variance	Percentage Variance
Operating Revenues					
Dwelling rental	**-1.aa.-**	$ 78,414,251	$ 74,072,381	$ 4,341,870	5.86%
Investment income	**-1.bb.-**	6,430,129	5,477,795	952,333	17.39%
Unrealized gains (losses) on investment		(8,975,429)	(4,568,273)	(4,407,156)	96.47%
Interest on mortgage and construction loans receivable		5,185,328	4,719,763	465,565	9.86%
Management fees and other income	**-1.cc.-**	10,317,905	7,303,094	3,014,811	41.28%
U.S. Department of Housing and Urban Development grants:					
Housing Assistance Payments (HAP)	**-1.dd.-**	91,663,701	88,383,780	3,279,921	3.71%
HAP administrative fees	**-1.ee.-**	7,770,139	6,904,159	865,980	12.54%
Other grants	**-1.ff.-**	4,751,279	3,925,537	825,742	21.04%
State and County grants	**-1.gg.-**	9,367,177	8,145,507	1,221,669	15.00%
Total operating revenues		**204,924,480**	**194,363,744**	**10,560,736**	5.43%
Operating Expenses					
Housing Assistance Payments (HAP)	**-1.dd.-**	93,362,323	90,246,854	(3,115,469)	(3.45%)
Administration	**-1.hh.-**	33,934,120	31,033,218	(2,900,901)	(9.35%)
Maintenance	**-1.ii.-**	21,491,552	19,300,972	(2,190,580)	(11.35%)
Depreciation and amortization	**-1.jj.-**	15,931,839	15,348,383	(583,456)	(3.80%)
Utilities		5,890,326	5,847,349	(42,977)	(0.73%)
Fringe benefits	**-1.kk.-**	9,251,824	8,131,957	(1,119,868)	(13.77%)
Interest expense	**-1.ll.-**	25,687,924	23,029,567	(2,658,357)	(11.54%)
Other expense		6,475,604	8,979,610	2,504,006	27.89%
Total operating expenses		**212,025,513**	**201,917,911**	**(10,107,602)**	(5.01%)
Operating income (loss)		**(7,101,033)**	**(7,554,167)**	**453,134**	(6.00%)
Nonoperating Revenues (Expenses)					
Investment Income		2,934,484	642,308	2,292,176	356.87%
Interest on mortgage and construction loans receivable		2,515,024	2,723,852	(208,828)	(7.67%)
Interest expense		(2,371,065)	(1,637,915)	(733,150)	44.76%
Other grants		138,855	220,495	(81,640)	(37.03%)
Increase (decrease) upon hedge termination		-	-	-	
State and County grants		-	-	-	
Gain/(Loss) on Sale of Assets	**-1.mm.-**	69,193,317	(3,257,324)	72,450,641	2224.24%
Total nonoperating revenues (expense)		**72,410,616**	**(1,308,584)**	**73,719,200**	(5633.51%)
Income (loss) before capital contributions		**65,309,583**	**(8,862,751)**	74,172,334	(836.90%)
Transfer from Discrete Component Units		(44,231)	166,727	(210,958)	(126.53%)
Capital contributions		10,531	14,826,412	(14,815,881)	(99.93%)
Net income (loss)		**65,275,883**	**6,130,388**	**59,145,495**	964.79%

Housing Opportunities Commission of Montgomery County

Combined Statement of Net Position
As of March 31, 2022

Assets	General Fund	Opportunity Housing Fund	Public Fund	Single Family Fund	Multi Family Fund	Elimination	3/31/2022 Total Funds with Elimination	6/30/2021 Total Funds with Elimination
Current Assets								
Unrestricted:								
Cash and Cash Equivalents	$ 46,182,852	$ 84,347,565	$ 6,860,438	$ -	$ 1,949,687		$ 139,340,542	$ 114,255,018
Interfund Receivable	-	23,242,359	1,289,972	7,736	387,680	(24,927,747)	-	-
Advances to Component Units	8,199,494	575,098	-	-	-		8,774,592	2,292,242
Accounts Receivable and Other Assets	5,543,606	11,741,006	7,920,303	355,168	17,167	-	25,577,249	29,193,066
Accrued Interest Receivable	6,788,256	5,400,753	-	656,320	1,366,795	(916,127)	13,295,997	10,229,505
Mortgage & Construction Loans Receivable, Current	5,339,418	1,423,792	-	979,027	9,671,543	(11,496,484)	5,917,297	8,404,989
Total Unrestricted Current Assets	**72,053,626**	**126,730,572**	**16,070,713**	**1,998,250**	**13,392,872**	**(37,340,357)**	**192,905,676**	**164,374,820**
Restricted Cash and Cash Equivalents nd Investments:								
Restricted Cash and Cash Equivalents	5,972,399	44,740,917	946,144	42,753,285	124,988,693		219,401,439	223,822,777
Restricted Short-Term Investments	-	-	-	4,416,119	-		4,416,119	6,590,395
Restricted for Current Bonds Payable	-	-	-	10,626,008	26,962,955		37,588,964	62,991,620
Restricted for Customer Deposits	-	3,218,470	2,132,095	-	-		5,350,565	5,165,927
Total Restricted Cash and Cash Equivalents for Investments	**5,972,399**	**47,959,387**	**3,078,239**	**57,795,413**	**151,951,648**	**-**	**266,757,087**	**298,570,719**
Total Current Assets	**78,026,026**	**174,689,959**	**19,148,952**	**59,793,663**	**165,344,520**	**(37,340,357)**	**459,662,763**	**462,945,539**
Noncurrent assets:								
Restricted Long - Term Investments	-	-	-	104,561,639	67,571,208		172,132,848	167,277,397
Mortgage & Construction Loans Receivable, Net of Current Portion	465,416,749	174,935,832	2,005,615	38,785,555	484,258,815	(494,327,404)	671,075,162	511,248,638
Capital Assets, Net of Depreciation	11,160,074	612,914,900	7,066,004	(0)	-		631,140,978	691,208,857
Investment in Component Units	2,073,221	33,087,122	-	-	-	-	35,160,343	33,441,589
Total Noncurrent Assets	**478,650,044**	**820,937,854**	**9,071,619**	**143,347,195**	**551,830,024**	**(494,327,404)**	**1,509,509,330**	**1,403,176,481**
Deferred Outflows of Resources								
Derivative Instrument	-	21,270,199	-	-	-		21,270,199	21,902,486
Fair Value of Hedging Derivatives	-	(1,249,322)	-	175,797	3,067,608		1,994,083	9,606,640
Employer -Related Pension Activities	24,568,210	4,210,972	14,391,513	-	-		43,170,695	43,170,695
Employer -Related OPEB Activities	4,577,769	318,331	1,433,817	-	-		6,329,917	6,329,917
Total Assets and Deferred Outflows	**585,822,048**	**1,020,177,993**	**44,045,900**	**203,316,655**	**720,242,152**	**(531,667,761)**	**2,041,936,987**	**1,947,131,758**

Housing Opportunities Commission of Montgomery County

Combined Statement of Net Position

As of March 31, 2022

Liabilities and Net Position	General Fund	Opportunity Housing Fund	Public Fund	Single Family Fund	Multi Family Fund	Elimination	3/31/2022 Total Funds with Elimination	6/30/2021 Total Funds with Elimination
Liabilities								
Current Liabilities								
Accounts Payable and Accrued Liabilities	11,252,644	13,030,566	1,826,621	1,051,808	112,510	-	27,274,149	22,879,628
Undrawn Mortgage Proceeds Payable	-	-	-		90,322,629		90,322,629	103,957,909
Interfund Payable	24,927,747	-	-	-	-	(24,927,747)	-	-
Accrued Interest Payable	-	8,617,966	-	-	-	(916,127)	7,701,839	9,753,133
.Loans Payable to Montgomery County - Current	-	240,567	-	-	-		240,567	445,585
.Mortgage Notes and Loans Payable-Current	4,134,628	33,199,859	-	-	-	(11,496,484)	25,838,003	26,284,984
Total Current Unrestricted Liabilities	**40,315,019**	**55,088,959**	**1,826,621**	**1,051,808**	**90,435,139**	**(37,340,357)**	**151,377,189**	**163,321,239**
Current Liabilities Payable from Restricted Assets:								
Customer Deposits Payable	-	2,753,558	1,639,892	-	-		4,393,451	4,240,817
.Accrued Interest Payable	-	-	-	968,004	3,664,223		4,632,227	7,896,462
Bonds Payable-Current	-	-	-	8,690,000	23,298,733		31,988,733	55,095,158
Total Current Liabilities Payable from Restricted Assets	**-**	**2,753,558**	**1,639,892**	**9,658,004**	**26,962,955**	**-**	**41,014,410**	**67,232,437**
Total Current Liabilities	**40,315,019**	**57,842,518**	**3,466,513**	**10,709,812**	**117,398,095**	**(37,340,357)**	**192,391,599**	**230,553,676**
Non-Current Liabilities								
Bonds Payable	-	-	-	158,289,781	564,703,247		722,993,028	612,121,337
Mortgage Notes and Loans payable	398,786,053	673,057,532	-	5,000,000	-	(494,327,404)	582,516,181	608,388,948
Loans payable to Montgomery County	27,671,224	60,046,710	-	-	-		87,717,935	104,585,051
Unearned Revenue	19,849,450	11,576,916	2,316,053	-	-		33,742,419	28,374,987
Escrow and Other Deposits	16,576,158	-	-	-	2,326,931		18,903,088	17,098,349
Net Pension liability	12,621,634	2,072,755	6,661,417	-	-		21,355,806	21,355,806
Net OPEB liability	9,250,335	1,179,857	9,463,245	-	-		19,893,438	19,893,437
Derivative Investment - Hedging	-	(1,249,322)	-	175,797	3,067,608		1,994,083	9,606,640
Total Noncurrent Liabilities	**484,754,855**	**746,684,449**	**18,440,716**	**163,465,578**	**570,097,786**	**(494,327,404)**	**1,489,115,978**	**1,421,424,555**
Total Liabilities	**525,069,873**	**804,526,966**	**21,907,229**	**174,175,390**	**687,495,880**	**(531,667,761)**	**1,681,507,577**	**1,651,978,231**
Deferred Inflows of Resources								
Unamortized Pension Net Difference	28,416,318	3,554,192	12,861,492	-	-		44,832,002	44,832,002
Unamortized OPEB Net Difference	8,218,784	1,104,204	5,136,650	-	-		14,459,637	14,459,638
Total Deferred Inflows of Resources	36,635,102	4,658,396	17,998,142	-	-	-	59,291,640	59,291,640
Net Position								
Net investment in Capital assets	11,160,074	(153,629,769)	7,066,004				(135,403,691)	(131,205,426)
Amounts Restricted for:								
Debt Service	-	44,740,917		29,141,265	30,796,585		104,678,767	110,183,032
Customer deposits and other	-	464,912					464,912	2,337,567
Closing cost assistance program and other	5,866,674		1,438,346				7,305,020	1,869,243
Unrestricted (deficit)	7,090,325	319,416,571	(4,363,821)	-	1,949,687		324,092,762	252,677,471
Total net position	**24,117,073**	**210,992,631**	**4,140,530**	**29,141,265**	**32,746,272**	**-**	**301,137,770**	**235,861,887**
Total Liabilities, Deferred Inflows and Net Position	**585,822,048**	**1,020,177,993**	**44,045,900**	**203,316,655**	**720,242,152**	**(531,667,761)**	**2,041,936,987**	**1,947,131,758**

Housing Opportunities Commission of Montgomery County

Combining Statement of Revenue and Expenses

For the Quarter Ended March 31, 2022 (with comparative totals for the Quarter Ended March 31, 2021)

	General Fund	Opportunity Housing Fund	Public Fund	Single Family Fund	Multi Family Fund	Elimination	3/31/2022 Total Funds with Elimination	3/31/2021 Total Funds with Elimination
Operating Revenues								
Dwelling Rental	$ -	$ 77,858,174	$ 556,078	$ -	$ -		$ 78,414,251	$ 74,072,381
Investment Income	-	-	-	2,542,688	3,887,441		6,430,129	5,477,795
Unrealized Gains (Losses) on Investments	-	-	-	(7,593,959)	(1,381,470)		(8,975,429)	(4,568,273)
Interest on Mortgage & Construction Loans Receivable	-	-	-	1,220,317	9,774,321	(5,809,310)	5,185,328	4,719,763
Management Fees and Other Income	13,649,799	4,714,239	60,283	-	-	(8,106,416)	10,317,905	7,303,094
U.S. Department of Housing and Urban								
Developement Grants:								
Housing Assistance Payments (HAP)	-	-	91,663,701	-	-		91,663,701	88,383,780
HAP Administrative Fees	-	-	7,770,139	-	-		7,770,139	6,904,159
Other Grants	-	-	4,751,279	-	-		4,751,279	3,925,537
State and County Grants	-	-	9,367,177	-	-		9,367,177	8,145,507
Total Operating Revenues	**13,649,799**	**82,572,413**	**114,168,657**	**(3,830,955)**	**12,280,292**	**(13,915,726)**	**204,924,480**	**194,363,744**
Operating Expenses								
Housing Assistance Payments	-	-	93,362,323	-	-		93,362,323	90,246,854
Administration	10,801,532	12,449,193	13,130,196	1,075,885	1,828,125	(5,350,811)	33,934,120	31,033,218
Maintenance	2,517,177	18,665,385	308,990	-	-		21,491,552	19,300,972
Depreciation and amortization	297,861	15,484,236	149,742	-	-		15,931,839	15,348,383
Utilities	150,696	5,511,952	227,678	-	-		5,890,326	5,847,349
Fringe Benefits	4,236,717	2,337,661	2,401,682	113,230	162,534		9,251,824	8,131,957
Pension & OPEB Expense	-	-	-	-	-		-	-
Interest expense	-	18,257,143	-	1,978,984	11,261,107	(5,809,310)	25,687,924	23,029,567
Other Expense	1,829,857	6,602,372	798,981	-	-	(2,755,606)	6,475,604	8,979,610
Total operating expenses	**19,833,840**	**79,307,943**	**110,379,591**	**3,168,099**	**13,251,766**	**(13,915,726)**	**212,025,513**	**201,917,911**
Operating Income (loss)	**(6,184,041)**	**3,264,470**	**3,789,066**	**(6,999,053)**	**(971,474)**	**-**	**(7,101,033)**	**(7,554,167)**
Nonoperating Revenues (Expenses)								
.Investment Income	2,008,048	925,923	513	-	-		2,934,484	642,308
.Interest on Mortgage and Construction Loans Receivable	7,009,688	581,886	-	-	-	(5,076,550)	2,515,024	2,723,852
.Interest Expense	(6,815,328)	(632,287)	-	-	-	5,076,550	(2,371,065)	(1,637,915)
Real Estate Equity Transfer	-	-	-	-	-		-	-
Other Grants	-	138,855	-	-	-		138,855	220,495
.State and County Grants	-	-	-	-	-		-	-
Gain/(Loss) on Sale of Assets	-	69,193,317	-	-	-		69,193,317	(3,257,324)
Total nonoperating revenues (expenses)	**2,202,408**	**70,207,695**	**513**	**-**	**-**	**-**	**72,410,616**	**(1,308,584)**
Income (loss) before capital contributions and transfers	**(3,981,634)**	**73,472,165**	**3,789,579**	**(6,999,053)**	**(971,474)**	**-**	**65,309,583**	**(8,862,751)**
Transfer To/(From) Discrete Component Units	-	(44,231)	-	-	-	-	(44,231)	166,727
Capital contributions/(distributions)	-	-	-	10,531	-	-	10,531	14,826,412
Operating transfers in (out)	108,747	98,753	-	-	(207,500)	-	-	-
Change in Net Position	**$ (3,872,886)**	**73,526,687**	**$ 3,789,579**	**$ (6,988,522)**	**$ (1,178,974)**	**$ -**	**$ 65,275,883**	**$ 6,130,388**

Note 1 – Discussion of specific lines of the Combined Statements of Net Position and the Combined Statements of Revenue and Expenses

	FY'22	FY'21	Dollar Variance	Percentage Variance
-1.a. – Cash and Cash equivalents	**139,340,542**	**114,255,018**	**25,085,524**	**21.96%**

The increase in cash and cash equivalents is attributed primarily to the receipt of settlement proceeds from the Shady Grove Apartments, Georgian Court Apartments, and the three Manor Properties (The Manor at Cloppers LLC, The Manor at Colesville LLC and The Manor at Fairhill LLC) real estate transactions. This increase in cash is partially offset by the repayment of the Bradley Crossing County loans and additional draws for Hilllandale predevelopment expenses from the OHRF, the payment to the County of the FY'22 Self Insurance Fund contribution, rental license fees, real estate taxes, and FY'22 OPEB prefunding contribution, and the timing of the reimbursements of capital expenses from properties under construction.

- 1.b. - Advances to Component Units	**8,774,592**	**2,292,242**	**6,482,350**	**282.80%**

The increase in advances to component units is mainly due to HOC at Westside Shady Grove LLC, Elizabeth House III LP, and Bauer Park Apartment LLC due to the timing of the payment and reimbursement of capital expenditures to the General Fund. The increase is partially offset by a decrease in 900 Thayer LP and Town Center Apartments.

- 1.c. - Accounts receivable and other assets	**25,577,249**	**29,193,066**	**(3,615,817)**	**(12.39%)**

The decrease in accounts receivable and other assets is attributed to a decrease in the Opportunity Housing Fund receivables related to the Stewartown Homes transactions. The proceed held by the settlement company was remitted to PNC Bank to pay off the Stewartown Real Estate Line of Credit ("RELOC") draw and the excess funds were transferred from General Fund to OHRF. The decrease is partially offset by an increase in receivables within the Public Fund from Incoming Portable vouchers and prepaid insurance

- 1.d. - Accrued interest receivable	**13,295,997**	**10,229,505**	**3,066,492**	**29.98%**

The increase is primarily attributed to the accrued interest on the Seller Notes in the Alexander House Development Corporation, MV Affordable Housing LP, and Greenhills Development LP within the Opportunity Housing Fund and the Multifamily Housing Development Bonds ("MHDB") 2019 Series A-1 & A-2 related to Elizabeth House III within the Multifamily Bond Fund.

		FY'22	FY'21	Dollar Variance	Percentage Variance
- 1.e. -	**Mort. & const. loans receivable – current**	**5,917,297**	**8,404,989**	**(2,487,692)**	**(29.60%)**
- 1.e. -	**Mort. & const. loans receivable – non-current**	**671,075,162**	**511,248,638**	**159,826,524**	**31.26%**
	Total	**676,992,459**	**519,653,627**	**157,338,832**	**30.28%**

The overall net increase in total mortgage and construction loans receivable is driven by the Multifamily Bond Fund mortgage receivables on the MHDB 2021 Series-C&D bond issue for HOC Willow Manor LLC, HOC at Georgian Court LLC and HOC at Shady Grove LLC, and the Housing Production Fund for HOC at Westside Shady Grove LLC. The Opportunity Housing Fund also increased mainly due to the Seller Notes provided for these real estate transactions. The increase is partially offset by a decrease in the Single Family Bond Fund due to fifty-two (52) mortgage loan payoffs and prepayments as well as the scheduled principal amortization under both the Single Family Bond Fund and Multifamily Bond Fund.

- 1.f. -	**Restricted cash and cash equivalents**	**219,401,439**	**223,822,777**	**(4,421,338)**	**(1.98%)**

The decrease in restricted cash and cash equivalents is mainly due to Single Family Bond Fund net cash outflow from the bond redemption and disbursements for the Single Family Bond operating budget. This is partially offset by Multifamily Bond Fund bond proceeds not yet drawn from the new MHDB 2021 Series BCD bonds and the Housing Production Fund. The General Fund also increased attributed to FFB loan escrow payments from several properties to cover mortgage insurance and loan management fees.

- 1.g. -	**Restricted short–term investments**	**4,416,119**	**6,590,395**	**(2,174,276)**	**(32.99%)**

The Single Family Bond Fund accounted for the decrease in restricted short-term investments.

- 1.h. -	**Cash for current bonds payable**	**37,588,964**	**62,991,620**	**(25,402,656)**	**(40.33%)**

The decrease in cash for current bonds payable is due to a decrease in current maturing bonds within the Single Family Bond Fund because of bonds redemption.

-1.i.-	**Capital assets, net of depreciation**	**631,140,978**	**691,208,857**	**(60,067,879)**	**(8.69%)**

The decrease in net capital assets is primarily attributed to the sale of Shady Grove Apartments, Georgian Court Apartments, and the three Manor Properties as well as the normal depreciation of assets for the first three quarters of the fiscal year partially offset by the acquisition of HOC at Avondale, LLC.

-1.j.-	**Investment in Component Units**	**35,160,343**	**33,441,589**	**1,718,754**	**5.14%**

The increase in investment in component units is due to HOC's additional equity contributions to the CCL Multifamily LLC (The Lindley) in connection with the purchase of the previous investor's interest in the company and acceptance of a new investor.

		FY'22	FY'21	Dollar Variance	Percentage Variance
-1.k.-	**Deferred outflows – Derivatives**	**21,270,199**	**21,902,486**	**(632,287)**	**(2.89%)**
-1.k.-	**Deferred outflows – hedging derivatives**	**1,994,083**	**9,606,640**	**(7,612,557)**	**(79.24%)**
-1.k.-	**Deferred outflows – Employer pension**	**43,170,695**	**43,170,695**	**0**	**0.00%**
-1.k.-	**Deferred outflows – OPEB contribution**	**6,329,917**	**6,329,917**	**(0)**	**(0.00%)**
	Total	**72,764,894**	**81,009,738**	**(8,244,844)**	**(10.18%)**

As of March 31, 2022, all of HOC's interest rate swaps were deemed effective hedges. Therefore, under GASB No. 53, *Accounting and Financial Reporting for Derivative Instruments*, the changes in fair values of hedging derivative instruments are reported as either deferred inflows or outflows in the Statements of Net Position. The fair value of the hedging derivatives consists of $175,797 in the Single Family Bond Fund, $3,067,608 in the Multifamily Bond Fund, and ($1,249,322) in the Opportunity Housing Fund which is made up of Elizabeth House III ($1,366,860) and Upton II Construction Loan $117,538.

The interest swaps on CCL Multifamily and Alexander House were terminated on September 1, 2019, which required HOC swap termination payment of $12,701,474 and $12,590,000, respectively. These payments are included in the deferred outflows, hedging derivatives and are being amortized to interest expense on a straight-line basis over the 40-year term of the loans with Federal Financing Bank. The unamortized balance of the swap termination payment is $21,270,199 reported as deferred Outflows of resources as of March 31, 2022.

In accordance with GASB No. 68, Accounting and Financial Reporting for Pensions, and GASB No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans, HOC is required to report deferred outflows of resources and deferred inflows of resources related to pensions and other post-employment benefits (OPEB).

-1.l. -	**Accounts payable and accrued liabilities**	**27,274,149**	**22,879,628**	**4,394,521**	**19.21%**

The increase in accounts payable and accrued liabilities is largely attributed to the remaining funds from the Shady Grove, Georgian Court, Avondale and Paddington closing, which were received and temporarily held in the General Fund. The funds will be transferred to OHRF after the reporting period.

-1.m. -	**Undrawn Mortgage Proceeds Payable**	**90,322,629**	**103,957,909**	**(13,635,280)**	**(13.12%)**

The decrease in undrawn mortgage proceeds payable is largely attributable to bond draws for HOC at Westside Shady Grove LLC, HOC at Stewartown LLC and Bauer Park LP, partly offset by bond proceeds not yet drawn for HOC at Shady Grove LLC, HOC at Georgian Court LLC and HOC at Willow Manor LLC.

-1.n. -	**Accrued interest payable – unrestricted**	**7,701,839**	**9,753,133**	**(2,051,294)**	**(21.03%)**

The decrease in accrued interest payable - unrestricted is driven by the payoff of the accrued interest expense of the three Manor Properties, Bradley Crossing LLC and MV Gateway LLC (Cider Mill).

		FY'22	FY'21	Dollar Variance	Percentage Variance
- 1.o. -	**Mortgage notes and loans payable - current**	**25,838,003**	**26,284,984**	**(446,981)**	**(1.70%)**
- 1.o. -	**Mortgage notes and loans payable - noncurr**	**582,516,181**	**608,388,948**	**(25,872,767)**	**(4.25%)**
	Totals	**608,354,184**	**634,673,932**	**(26,319,748)**	**(4.15%)**

The decrease in total mortgage notes and loans payable is largely due to the payoff of the PNC Bank loans of the three Manor Properties as well as the PNC Bank RELOC loan of Stewartown. The scheduled amortization of principal on the Federal Financing Bank ("FFB") loan of several Opportunity Housing and Real Estate Partnership properties also accounted for the decrease. The FFB loan borrowers include 900 Thayer LP, Alexander House (market and tax credit), TPP Timberlawn Pomander LLC, CCL Multifamily LLC ("The Lindley"), Glenmont Crossing Development Corp., Glenmont Westerly Development Corp., Cider Mill and Woodfield Commons. This is partially off-set by The Single Family Bond Fund due to a loan from the PNC Line of Credit to pay for bond redemptions along with partial payment of swap termination fees related to Alexander House LP.

- 1.p. -	**Bonds payable – current**	**31,988,733**	**55,095,158**	**(23,106,426)**	**(41.94%)**
- 1.p. -	**Bonds payable – noncurrent**	**722,993,028**	**612,121,337**	**110,871,691**	**18.11%**
	Totals	**754,981,761**	**667,216,495**	**87,765,266**	**13.15%**

The net increase in the total outstanding bonds payable is primarily due to the issuance of MHDB 2021 Series C&D for $111.4 million for HOC at Willow Manor, LLC, HOC at Shady Grove, LLC, HOC at Georgian Court, LLC, and Housing Production Fund ("HPF") Series 2021 bonds for $50 million under the Multifamily Bond Fund. The HPF was issued in order to provide construction bridge financing for residential rental developments in HOC's pipeline. This increase is partially offset by the scheduled bond redemptions including bond premium/discount amortization for $57.6 million under the Single Family Bond Fund and $16 million under the Multifamily Bond Fund.

- 1.q. -	**Loans payable to Montgomery Co – current**	**240,567**	**445,585**	**(205,018)**	**(46.01%)**
- 1.q. -	**Loans payable to Montgomery Co – noncurrent**	**87,717,935**	**104,585,051**	**(16,867,117)**	**(16.13%)**
	Totals	**87,958,502**	**105,030,636**	**(17,072,134)**	**(16.25%)**

The net decrease in the total outstanding loans payable to Montgomery County is mainly due to the payoff of amounts borrowed by the three Manor Properties, Georgian Court LP, and Shady Grove Apartments LP. This is partially offset by an increase attributed to the funding from the County of the Avondale properties acquisition.

1.r.	**Unearned Revenue**	**33,742,419**	**28,374,987**	**5,367,432**	**18.92%**

The increase in unearned revenue is primarily driven by the commitment fees from the closing of HOC at Willow Manor LP, HOC at Georgian Ct, LLC, and HOC at Shady Grove, LLC within the General Fund and the OHRF. The funds transferred from Alexander House LP to partially repay the PNC Bank RELOC draw for the swap termination fees also contributed to the increase. This is partly offset by a decrease in the COVID-19 CARES ACT funding for the Housing Choice Vouchers Program.

		FY'22	FY'21	Dollar Variance	Percentage Variance
1.aa.	**Dwelling Rental**	**78,414,251**	**74,072,381**	**4,341,870**	**5.86%**

The increase in dwelling rental income is largely driven by Bradley Crossing, LLC, which was acquired in June 2021. Other properties also contributed to higher rental income including the RAD 6 properties (Seneca Ridge, Towne Center Place, Sandy Spring Meadows, Parkway Woods, and Ken-Gar), Cider Mill, Alexander House market units and VPC Two Corporation. This increase is partly reduced by the sale of the three Manor properties, Shady Grove Apartments, Georgian Court Apartments and Stewartown Homes (MV Affordable Housing Associates LP). The Bad Debt expense in the Opportunity Housing portfolio for the nine-month period July 2021 to March 2022 amounts to about $1.5 million. As of March 31, 2022, the tenant receivable balance has increased by $791,064 from June 30, 2021, totaling $6,714,662. Staff does anticipate that a portion of this amount will result in additional allowances and the potential for additional allowances to be set up in subsequent months to reflect the continuation of non-payments during the COVID-19.

-1.bb.	**Investment Income**	**6,430,129**	**5,477,795**	**952,333**	**17.39%**

The increase is primarily driven by the investment income from bond proceeds not yet drawn within the Multifamily Bond Fund primarily the MHDB 2021 Series A for Westside Shady Grove LLC. The increase is partly reduced by a decrease in the Single Family Bond Fund due to a decrease in MBS purchases (mortgage-backed securities) and lower interest rates.

-1.cc. -	**Management fees and other income**	**10,317,905**	**7,303,094**	**3,014,811**	**41.28%**

The increase in management fees and other income is mainly due to development fee income from HOC at Willow Manor, Alexander House LP, 900 Thayer LP, HOC at Stewartown LLC, HOC at Westside Grove LLC, and Greenhills LP.

- 1.dd. -	**Housing Assistance Payments – Revenue**	**91,663,701**	**88,383,780**	**3,279,921**	**3.71%**
- 1.dd. -	**Housing Assistance Payments – Expense**	**93,362,323**	**90,246,854**	**3,115,469**	**3.45%**

The Housing Assistance Payments ("HAP") – revenue under the HCV Main Program as well as the incoming Portables increased in FY'22 as compared to FY2021. The lower HAP revenue in the Main Program in FY'21 is mainly attributed to an offset of the $2.6 excess HAP revenue as of December 31, 2019 against the HAP disbursement from HUD in July 2020. The $2.6 million was transitioned to HUD-held Reserve, which will be available to the agency when needed. The increase in HAP revenue is partly offset by a decrease in the earned HAP revenue under the COVID-19 HCV Main Program. The HAP Expense increased in FY'22 due to an increase in leasing and leasing costs within HCV Vouchers, and Non-Elderly Persons with Disabilities payments.

-1.ee. -	**HAP administrative Fees - Income**	**7,770,139**	**6,904,159**	**865,980**	**12.54%**

The increase in HAP administrative fees income is largely due to fees earned under the COVID-19 HCV Main Program attributed to increased spending.

-1.ff. -	**Other grants**	**4,751,279**	**3,925,537**	**825,742**	**21.04%**

The increase in other grants is mainly due to the new Emergency Housing Vouchers grant and an increase in the Fatherhood Initiative Program.

		FY'22	FY'21	Dollar Variance	Percentage Variance
-1.gg. -	**State and County Grants**	**9,367,177**	**8,145,507**	**1,221,669**	**15.00%**

The increase in the State and County grants is mainly due to an increase in the Capital Improvement Program (CIP), County Main Programs, and Community Choice Homes Initiative Program.

-1.hh. -	**Administration**	**33,934,120**	**31,033,218**	**2,900,901**	**9.35%**

The increase in administrative expense is mainly driven by the addition of Bradley expenses, cost of issuance related to Paddington Square refinancing, legal services and miscellaneous operating expenses of Westwood Tower, and rental license fees of Opportunity Housing properties. The General Fund administrative expenses also increased mainly due to expenses on the on-line information services, administrative salaries and consulting fees. Public Fund expenses increased as well mainly due to tenant services and administrative salaries, incentives to Landlords as token of appreciation for COVID partnership with HOC, Fatherhood Program tuition assistance, and other operating services contract, partly offset by a decrease in tenant housing assistance.

-1.ii. -	**Maintenance**	**21,491,552**	**19,300,972**	**2,190,580**	**11.35%**

The increase in maintenance expense is attributed to Bradley maintenance expenses in addition to an increase in other Opportunity Housing Fund expenses for paint wallcoverings, appliance equipment, cleaning and janitorial contracts, plumbing equipment/contracts, flooring/carpeting, grounds and landscaping contracts, roofing/gutter, electrical/HVAC salaries and other miscellaneous contract. The General Fund also contributed to the increase attributed largely to payments of software licenses and support services. The Public Fund also increased mainly due to procurement of software and hardware solutions to address COVID-19 including front office automation and Rent Café PHA Portal Package.

- 1.jj. -	**Depreciation and amortization**	**15,931,839**	**15,348,383**	**583,456**	**3.80%**

The increase in depreciation and amortization is largely due to the normal scheduled depreciation and amortization of assets.

- 1.kk. -	**Fringe benefits**	**9,251,824**	**8,131,957**	**1,119,868**	**13.77%**

The increase in fringe benefits is largely due to FY2022 amortization of unfunded actuarial accrued pension liability paid to the County and health insurance partially offset by a decrease in accrued leave expense.

- 1.ll. -	**Interest expense – operating**	**25,687,924**	**23,029,567**	**2,658,357**	**11.54%**
- 1.ll. -	**Interest Expense – non-operating**	**2,371,065**	**1,637,915**	**733,150**	**44.76%**
	Totals	**28,058,989**	**24,667,482**	**3,391,507**	**13.75%**

The increase in interest expense is driven by Multifamily Bond fund due to MHDB 2021 Series A-WSSG (Westside Shady Grove) issuance, partially offset by a decrease in the Single Family bonds payable due to scheduled and early redemptions.

	FY'22	FY'21	Dollar Variance	Percentage Variance
- 1.mm. - Gain (Loss) on Sale of Assets	**69,193,317**	**(3,257,324)**	**72,450,641**	**2224.24%**

The Shady Grove, Georgian Court and the three Manor properties real estate and mortgage loan transactions accounted for the FY'22 gain on sale of assets.

MEMORANDUM

TO: Housing Opportunities Commission of Montgomery County; Budget, Finance and Audit Committee

VIA: Kayrine Brown, Acting Executive Director

FROM: Staff: Timothy Goetzinger Division: Finance Ext. 4836
Terri Fowler Ext. 9507

RE: **Calendar Year 2022 (CY'22) First Quarter Budget Amendment**: Presentation of the CY'22 First Quarter Budget Amendment for [MetroPointe Apartments]

DATE: May 24, 2022

BACKGROUND:

As Managing General Partner, HOC has a fiduciary responsibility for each of the Tax Credit Partnerships. The current HOC budget policy stipulates that the financial performance and budgets of the Low Income Housing Tax Credit ("LIHTC") Partnerships should be reviewed on the same fiscal year as its partners (December 31). The Tax Credit Partnership Budgets require adoption by the Commission, separate from the Agency's general budget process. On November 3, 2021, the Commission adopted the CY'22 budgets for the partnerships that owned the 16 multifamily properties, which are calendar year-end properties.

ISSUES FOR CONSIDERATION:

Capital Budget Amendment:

- **Wheaton Metro Limited Partnership ("MetroPointe"):** Each year, the Property Management staff reviews capital budgets at year end and requests capital funds to roll forward to the next year. This is necessary as there are always capital projects that have not been completed by year end. The Property Management Division has requested that $45,002 for MetroPointe be rolled forward and included in the CY'22 Budget. The work, which will be funded from property replacement reserves, includes garage door replacement, security cameras for the garage, clubhouse and lobby furniture replacements, concrete replacements and HVAC unit replacements. The CY'22 capital budget for MetroPointe will be increased by $45,002 from $329,544 to $374,546.

BUDGET/FISCAL IMPACT:

Approval by the Commission of the CY'22 budget amendment will revise the CY'22 capital budget for MetroPointe Limited Partnership to reflect an accurate plan for the remainder of the year.

PRINCIPALS:
HOC
Wheaton Metro Limited Partnership

TIME FRAME:
For informal discussion at the May 24, 2022 Budget, Finance and Audit Committee meeting. For formal Commission action at the June 8, 2022 meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:
Staff recommends that the Budget, Finance and Audit Committee join its recommendation to the full Commission for approval of the proposed CY'22 First Quarter Budget Amendment for MetroPointe Limited Partnership.

M E M O R A N D U M

TO: Housing Opportunities Commission of Montgomery County; Budget, Finance and Audit Committee

VIA: Kayrine Brown, Acting Executive Director

FROM:	Staff:	Tim Goetzinger	Division:	Finance	Ext. 4836
		Eugenia Pascual		Finance	Ext. 9478
		Nilou Razeghi		Finance	Ext. 9494
		Nathan Bovelle		Property Management	Ext. 9708

RE: Uncollectible Tenant Accounts Receivable: Presentation of Request to Write-off Uncollectible Tenant Accounts Receivable (January 1, 2022 – March 31, 2022)

DATE: May 24, 2022

BACKGROUND:

HOC's current policy is to provide for an allowance for any tenant accounts receivable balance, which are older than 90 days. HOC records all proposed write-offs of former tenant accounts receivable balances in HOC's Uncollectible Accounts Receivable Database as well as in the various individuals' Equifax Credit Bureau files. This process updates the financial records to accurately reflect the receivables and provides greater potential for outstanding receivable collection.

The last approved write-off of former tenant accounts receivable balances on March 2, 2022 was for $77,988, which covered the three-month period from October 1, 2021 through December 31, 2021.

The proposed write-off of former tenant accounts receivable balances for the third quarter January 1, 2022 through March 30, 2022 is $126,942.

The $126,942 third quarter write-off is primarily attributable to former tenants within HOC's Opportunity Housing properties, Supportive Housing Properties and LIHTC/RAD Properties – Elizabeth House. The primary reasons for the write-offs across the properties include tenants who no longer qualify for certain affordable programs, voluntarily vacated their units, purchased a home, skipped, passed away, who needed more space, unit for repair or renovation, abandoned/vacated the unit, no longer in any program, moved, were non-compliance with program requirement, and left to live in a nursing home.

The following table shows the write-offs by fund/program.

Property Type	Current Write-offs 01/01/22 - 03/31/22	Prior Write-offs 10/01/21 - 12/31/21	$ Change 12/31/21 - 03/31/22	% Change 12/31/21 - 03/31/22	Fiscal Year 2022 Year-to-Date 07/01/21 - 03/31/22	Fiscal Year 2021 Year-to-Date 07/01/20 - 03/31/21
Public Housing	$ -	$ -	$ -	0.00%	$ -	$ 706
Opportunity Housing	116,356	43,370	72,986	168.29%	173,410	147,479
Supportive Housing	9,261	2,732	6,529	238.98%	11,993	25,164
RAD Properties	1,324	31,886	(30,562)	-95.85%	33,440	19,294
236 Properties	-	-	-	0.00%	2,762	2,365
	$ 126,941	**$ 77,988**	**$ 48,953**	**62.77%**	**$ 221,605**	**$ 195,008**

The following tables show the write-offs by fund and property.

Public Fund

Public Fund	Current Write-offs 01/01/22 - 03/31/22	Prior Write-offs 10/01/21 - 12/31/21	$ Change 12/31/21 - 03/31/22	$ Change 12/31/21 - 03/31/22	Fiscal Year 2022 Year-to-Date 07/01/21 - 03/31/22	Fiscal Year 2021 Year-to-Date 07/01/20 - 03/31/21
Former PH Tenants	$ -	$ -	$ -	0.00%	$ -	$ 706
Total Public Fund	**$ -**	**$ -**	**$ -**	**0.00%**	**$ -**	**$ 706**

Within the public Housing portfolio, there were no write-offs to report in the third quarter of FY ’22.

Opportunity Housing Fund

Opportunity Housing (OH) Fund	Current Write-offs 01/01/22 - 03/31/22	Prior Write-offs 10/01/21 - 12/31/21	$ Change 12/31/21 - 03/31/22	$ Change 12/31/21 - 03/31/22	Fiscal Year 2022 Year-to-Date 07/01/21 - 03/31/22	Fiscal Year 2021 Year-to-Date 07/01/20 - 03/31/21
Avondale	$ 2,663	$ -	$ 2,663	0.00%	$ 2,663	$ -
Brooke Park Apts	1,318	-	1,318	0.00%	1,318	-
Camp Hill Square	-	-	-	0.00%	-	3,683
Jubilee - Hermitage	346	-	346	0.00%	346	-
McHome	-	-	-	0.00%	8,392	1,769
MHLP IX - MPDU	-	847	(847)	-100.00%	3,204	3,657
MHLP IX - Pondridge	-	-	-	0.00%	-	11,427
MHLP VII	-	1,475	(1,475)	-100.00%	1,475	2,070
MHLP VIII	37	-	37	0.00%	37	1,742
MHLP X	-	14,578	(14,578)	-100.00%	15,134	-
MPDU I/64	41,084	-	41,084	0.00%	41,084	4,620
NCI-1 - 13202 Black Walnut Cou	-	-	-	0.00%	-	552
NCI-1 - 13304 Lydia St	524	-	524	0.00%	524	-
Scattered Site One Dev Corp	53,072	20,332	32,740	161.03%	73,404	19,992
Scattered Site Two Dev Corp	858	-	858	0.00%	858	2,838
State Rental Partnership	1,308	3,220	(1,912)	-59.38%	6,685	19,171
TPM Dev Corp - MPDU II (59)	1,117	2,918	(1,801)	-61.72%	4,035	23,401
VPC One Corp	14,029	-	14,029	0.00%	14,252	6,869
VPC Two Corp	-	-	-	0.00%	-	45,688
Total OH Fund	**$ 116,356**	**$ 43,370**	**$ 72,986**	**168.29%**	**$ 173,410**	**$ 147,479**

Within the Opportunity Housing portfolio, the $116,357 write-off amounts were primarily attributable to Scattered Sites One Development Corporation, MPDU I/64 and VPC One Corp (Note that there is a $1.00 difference due to rounding). The write-offs were mainly due to tenants who skipped or voluntarily vacated their units, tenants who purchased a home, and tenants who left because the unit needed to be repaired or renovated.

Supportive Housing

	Current Write-offs 01/01/22 - 03/31/22	Prior Write-offs 10/01/21 - 12/31/21	$ Change 12/31/21 - 03/31/22	% Change 12/31/21 - 03/31/22	Fiscal Year 2022 Year-to-Date 07/01/21 - 03/31/22	Fiscal Year 2021 Year-to-Date 07/01/20 - 03/31/21
Supportive Housing						
McKinney X - HUD	$ 9,261	$ 2,732	$ 6,529	238.98%	$ 11,993	$ 25,164
Total Supportive Housing	**$ 9,261**	**$ 2,732**	**$ 6,529**	**238.98%**	**$ 11,993**	**$ 25,164**

Within the Supportive Housing Program, the $9,261 write-off amount was due to two tenants who passed away, one tenant who was non-compliant with the program requirement, and one tenant who left to live in a nursing home.

LIHTC/RAD Properties

	Current Write-offs 01/01/22 - 03/31/22	Prior Write-offs 10/01/21 - 12/31/21	$ Change 12/31/21 - 03/31/22	% Change 12/31/21 - 03/31/22	Fiscal Year 2022 Year-to-Date 07/01/21 - 03/31/22	Fiscal Year 2021 Year-to-Date 07/01/20 - 03/31/21
LIHTC/RAD Properties						
Arcola Towers LP	$ -	$ 3,409	$ (3,409)	-100.00%	$ 3,409	$ -
Elizabeth House - Interim RAD	1,324	-	1,324	0.00%	1,324	1,283
Holly Hall RAD	-	-	-	0.00%	-	1,909
RAD 6 - Sandy Spring	-	-	-	0.00%	46	-
RAD 6 - Ken Gar	-	-	-	0.00%	-	295
RAD 6 - Seneca Ridge	-	25,786	(25,786)	-100.00%	25,786	15,807
RAD 6 - Towne Centre Place	-	2,691	(2,691)	-100.00%	2,691	-
Waverly House LP	-	-	-	0.00%	184	-
Total RAD Properties	**$ 1,324**	**$ 31,886**	**$ (30,562)**	**-95.85%**	**$ 33,440**	**$ 19,294**

Within the LITHC/RAD properties, the $1,324 write-off amount was due to one tenant who passed away.

236 Properties

	Current Write-offs 01/01/22 - 03/31/22	Prior Write-offs 10/01/21 - 12/31/21	$ Change 12/31/21 - 03/31/22	$ Change 12/31/21 - 03/31/22	Fiscal Year 2022 Year-to-Date 07/01/21 - 03/31/22	Fiscal Year 2021 Year-to-Date 07/01/20 - 03/31/21
236 Properties						
Bauer Park	$ -	$ -	$ -	0.00%	$ -	$ 353
Town Center Apts	-	-	-	0.00%	2,762	2,012
Total 236 Properties	**$ -**	**$ -**	**$ -**	**0.00%**	**$ 2,762**	**$ 2,365**

Within the 236 properties, there were no write-offs to report in the third quarter of FY ’22.

HOC maintains a relationship with the rent collections firm, Rent Collect Global (“RCG”). All delinquent balances of $200 or more are submitted to RCG for further pursuit. Additionally, HOC offers a Surety Bond Program in which residents are provided the option to purchase a surety bond, at a low rate, from the firm Sure Deposit, Inc., in lieu of paying a traditional security deposit to HOC. Furthermore, the full value of the surety bond is available to HOC for recovery of any damage or other loss, just like a traditional security deposit. Through HOC's collection efforts and the services of RCG and Sure Deposit, HOC makes every effort to pursue all tenant outstanding receivables. The write-off recovery process is outlined below for your reference.

Finance Write-Off and Recovery Procedures

1. After a tenant vacates, Resident Accounting (RA) receives clearance from HOC Property Management (PM) to post the deposit accounting in Yardi.
2. If a balance is owed, RA prepares a letter to the resident with the balance owed. PM signs and mails the letter to the resident.
3. If a resident purchased a surety bond, PM submits a claim to the bond company to collect the balance owed up to the amount of the bond. Payments made by the bond company are posted to the resident's ledger.
4. If a balance is still owed (at the time of write-off review), it is submitted for consideration to be written-off . Once approved, the write-off is posted in Yardi.
5. PM informs Compliance of the write-off and Compliance reports outstanding balances to a collection company.

The next anticipated write-off will be for the fourth quarter of FY'22 covering April 1, 2022 through June 30, 2022. Upon approval, the write-offs will be processed through Yardi's write-off function with the tenant detail placed into the uncollectible accounts receivable database.

ISSUES FOR CONSIDERATION:

Will the Budget, Finance and Audit Committee join staff's recommendation to the Commission to authorize the write-off of uncollectible tenant accounts receivable for the third quarter of fiscal year 2022, totaling $126,942?

BUDGET IMPACT:

The recommended write-off of the tenant accounts receivable balances does not affect the net income or cash flow of the individual properties or the Agency as a whole. The write-off expense was recorded when the initial allowance was established because of the receivable balance being 90 days past due. The recommended write-off is to adjust the balance sheet and remove the aged receivable balances.

TIME FRAME:

For discussion at the May 24, 2022 Budget, Finance and Audit Committee meeting. For formal Commission action at the June 8, 2022 meeting.

STAFF RECOMMENDATION:

Staff requests that the Budget, Finance and Audit Committee join its recommendation to the Commission authorizing the write-off of uncollectible tenant accounts receivable of $126,942.

M E M O R A N D U M

TO:	Housing Opportunities Commission of Montgomery County; Budget, Finance and Audit Committee				
VIA:	Kayrine Brown, Executive Director				
FROM:	Staff:	Timothy Goetzinger	Division:	Finance	Ext. 9754
		Eugenia Pascual		Finance	Ext. 9478
		Claudia Wilson		Finance	Ext. 9474
		Niketa Patel		Finance	Ext. 9584
RE:	**Calendar Year 2021 Audits:** Presentation of Calendar Year 2021 Low Income Tax Credit Partnerships and Limited Liability Company Audits				
DATE:	May 24, 2022				

BACKGROUND:

The Housing Opportunities Commission of Montgomery County ("HOC" or "Commission") is the managing partner in seventeen (17) Calendar Year ("CY") 2021 tax credit partnerships. Fifteen (15) of the seventeen tax credit partnerships required year-end audits for 2021. Elizabeth House III LP is currently under construction and does not yet require an annual audit. HOC at Willow Manor LLC was acquired in December 2021 and the investor does not require an audit for CY2021.

HOC also has four (4) calendar year Limited Liability Company ("LLC") properties, CCL Multifamily LLC ("The Lindley"), Hillandale Gateway LLC, Wheaton Gateway LLC and HOC at West Side Shady Grove LLC. The CY2021 audits of The Lindley and HOC at West Side Shady Grove LLC are included in this recommendation. Hillandale Gateway LLC and Wheaton Gateway LLC are currently in the pre-development stage and do not require an annual audit for CY2021.

The individual real estate limited partnerships and LLC's presented in the table below are currently required to have an annual audit to satisfy investor requirements. These entities are audited as of December 31, 2021:

Calendar Year 2021 Properties
Low Income Housing Tax Credit (LIHTC)
900 Thayer Limted Partnership
4913 Hampden Lane Limited Partnership
Alexander House Apartments Limited Partnership
Arcola Towers RAD Limited Partnership
Bauer Park Apartments Limited Partnership
Forest Oak Towers Limited Partnership
Greenhills Apartments Limited Partnership
HOC at Georgian Court LLC
HOC at Shady Grove LLC
HOC at Stewartown Homes LLC
HOC at the Upton II LLC
Spring Garden One Associate Limited Partnership
Tanglewood and Sligo Limited Partnership
Waverly House RAD Limited Partnership
Wheaton Metro Limited Partnership
Limited Liability Company (LLC)
CCL Multifamily LLC
HOC at West Side Shady Grove LLC

See Appendix A for each of the properties that report on a calendar year basis.

The property audits for fifteen (15) CY2021 Tax Credit Partnerships and CCL Multifamily LLC have been finalized. They have received a standard unqualified audit opinion from the independent certified public accounting firms performing the audits. The HOC at West Side Shady Grove LLC property audit will be presented to the BF&A and the Commission once the audit is completed.

ISSUES FOR CONSIDERATION:

Does the Budget, Finance and Audit Committee wish to join staff's recommendation to the Commission to accept the 15 CY 2021 Tax Credit Partnership and CCL Multifamily LLC Audits?

BUDGET IMPACT:

There is no budget impact related to acceptance of the 15 CY 2021 Tax Credit Partnership and CCL Multifamily LLC Audits.

TIME FRAME:

For internal discussion at the May 24, 2022 meeting by the Budget, Finance and Audit Committee. For formal Commission action at its June 8, 2022 meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Budget, Finance and Audit Committee join staff in its recommendation to the full Commission to accept the 15 CY 2021 Tax Credit Partnership and CCL Multifamily LLC Audits.

M E M O R A N D U M

TO: Housing Opportunities Commission Budget, Finance and Audit Committee

VIA: Kayrine Brown, Acting Executive Director

FROM: Staff: Timothy Goetzinger Division: Finance Ext. 9754
Eugenia Pascual Finance Ext. 9478

RE: **Extension of the Use of Credit Facilities:** Extend the use of the PNC Bank Line of Credit and the Real Estate Line of Credit to Finance Commission Approved Actions related to Montgomery Homes Limited Partnership (MHLP) VII, Fairfax Court Apartments, Lyttonsville (8800 Brookville Road), Lindsay Ford Holdings Site (Wheaton Gateway), HOC Fenwick & Second Headquarters, Brooke Park Apartments, MPDU I (64), Ambassador Apartments, Avondale Apartments and Year 15 LIHTC Properties.

DATE: May 24, 2022

BACKGROUND:
The Commission previously approved advances from the PNC Bank, N.A. Line of Credit ("PNC LOC") to support the interim financing needs of MHLP VII, Fairfax Court Apartments, Lyttonsville (8800 Brookville Road), Lindsay Ford Holdings Site (Wheaton Gateway), HOC Fenwick & Second Headquarters and Brooke Park Apartments. The Commission also authorized draws from the PNC Bank, N.A. Real Estate Line of Credit ("RELOC") to prepay the first and subordinate mortgages of Ambassador Apartments, to purchase Avondale Apartments, to acquire full ownership of Year 15 properties and to provide a construction bridge loan to Brooke Park Apartments. Staff requests approval to extend the current maturity dates through June 30, 2023. The PNC LOC's contractual taxable borrowing rate is London Interbank Offered Rate ("LIBOR") plus a spread and the tax-exempt borrowing rate is a percentage of LIBOR plus a spread. The RELOC taxable borrowing rate is also based on the LIBOR index plus a spread and the tax-exempt borrowing rate is also based on a percent of LIBOR plus a spread. The unobligated amount as of March 31, 2022 is \$8,442,214 for the LOC and \$72,031,236 for the RELOC.

The table below indicates the current maturity dates, the outstanding principal amounts as of and the estimated annual cost under each of these loans.

Property	Line of Credit	Current Maturity date	Principal Balance As of 4-30-2022	Estimated Annual Cost	Libor Rate & Spread under LOC & RELOC	
MHLP VII	$60 million	June 2022	$ 522,725	$ 10,923	2.08962%	Taxable
Fairfax Court Apartments	$60 million	June 2022	306,021	6,395	2.08962%	Taxable
Lyttonsville (8800 Brookville Road)	$60 million	June 2022	10,850,000	226,724	2.08962%	Taxable
Lindsay Ford Holdings Site (Wheaton Gateway)	$60 million	June 2022	11,530,881	240,952	2.08962%	Taxable
HOC Fenwick & Second Headquarters	$60 million	June 2022	2,071,264	43,282	2.08962%	Taxable
Brooke Park Apartments	$60 million	June 2022	1,800,000	37,613	2.08962%	Taxable
MPDU I (64)	$60 million	June 2022	895,819	18,719	2.08962%	Taxable
Ambassador Apartments	$150 million	June 2022	1,862,495	26,665	1.43170%	Tax-exempt
Avondale Apartments	$150 million	June 2022	5,824,451	83,388	1.43170%	Tax-exempt
Year 15 LIHTC	$150 million	June 2022	1,371,600	24,546	1.78962%	Taxable
Brooke Park Apartments	$150 million	June 2022	1,598,150	28,601	1.78962%	Taxable
Total			**$ 38,633,406**	**$ 747,808**		

LIBOR Transition to SOFR

The London Interbank Offered Rate ("LIBOR") has historically been determined by taking a survey of British banks on the rate at which they can borrow from other banks. However, research has shown that several banks engaged in misconduct in rate submissions. To not disrupt financial markets, LIBOR is being gradually terminated, with the final LIBOR-based rate (including 1-month and 3-month tenors) ending on June 30, 2023. The primary replacement rate appears to be the Secured Overnight Financing Rate ("SOFR"), which is a daily compounded index based on actual trading rates of US Treasury securities. Since historical SOFR rates have been lower than LIBOR rates, there will likely be an add-on spread adjustment.

One alternative replacement rate is the Bloomberg Short Term Bank Yield Index ("BSBY"). BSBY is primarily intended for commercial bank loans and is based on actual executable rates for bank deposits, commercial paper, certificates of deposit and corporate bonds. Another alternative replacement rate is Term SOFR (which, unlike SOFR described above, consists of terms exceeding one day, e.g., 1-month, 3-month, etc.) for which daily SOFR is compounded to the corresponding tenor. Both BSBY and Term SOFR have limited liquidity at this time. However, in recent conversations with HOC's relationship banker, PNC Bank's credit team believes that BSBY tracks closer to the market and are likely to use that index to replace LIBOR for its loan products. Staff continues to work with our financial advisor and financial institutions and will present decisions for action by the Commission at a later date.

MHLP VII

The draw on the LOC funded the repayment of the first mortgage associated with MHLP VII, a low-income housing tax credit ("LIHTC") scattered site property. The units were conveyed to HOC at the end of the initial LIHTC compliance period and are now subject to an Extended Use Covenant. HOC intends to continue to operate the property as an affordable housing development. HOC has also purchased the limited partners' interest in MHLP VIII, MHLP IX and, MHLP X, the remaining LIHTC scattered site properties. Future plans are to combine them into a single ownership entity and repay all outstanding indebtedness from refinancing proceeds.

Fairfax Court

Fairfax Court is an 18-unit development located in Chevy Chase. The outstanding draw on the PNC LOC repaid the first mortgage, which was funded with variable rate demand obligation bonds. The Commission intends to operate Fairfax Court as an affordable housing asset and while a renovation plan is being developed, the Commission started to repay the LOC from accrued cash and cash flow from operations at the property as available.

Lyttonsville (8800 Brookville Road)

On November 7, 2018, the Commission approved a draw of up to $10,850,000 from the PNC LOC to fund the acquisition of the approximately 10 acres at 8800 Brookville Road in Silver Spring. This site is available to relocate the existing users to clear the way for redevelopment. The original intent of the acquisition of this property was to provide a relocation site for WSSC's nearby Lyttonsville maintenance depot. After a significant delay, WSSC issued an RFP for the relocation of its Lyttonsville maintenance depot, and the team of HOC and EYA was not selected. Furthermore, WSSC will not pursue the 8800 Brookville site for its use. HOC is preparing to sell the site for industrial development and has multiple interested parties, including Montgomery County. It is expected that a disposition will occur in calendar year 2022. To date, $10,850,000 has been drawn and outstanding.

Lindsay Ford Holdings Site (Wheaton Gateway)

On January 9, 2019, the Commission approved a taxable draw of up to $11,635,000 from the PNC LOC to fund the acquisition of the Lindsay Ford Holdings Site, costs related to the acquisition of the Lindsay Ford Holding Site, and reimbursement of costs incurred by the Commission related to title costs and earnest money deposits. Predevelopment plans are underway for the redevelopment of the site along with the former Ambassador Apartments at which time repayment of the PNC LOC will occur. The total amount drawn was $11,530,881.

HOC Fenwick & Second Headquarters

On April 3, 2019, the Commission approved the execution of a ground lease for the development and ownership of HOC's new headquarters building located in downtown Silver Spring, Maryland at Fenwick Lane and Second Avenue. The new headquarters will house staff currently at the Kensington and East Deer Park offices as well as staff in the Silver Spring Service Center. To fund the conceptual design and predevelopment budget of the building, the Commission authorized the use of the PNC LOC up to $2,908,300. The construction of the building is expected to commence by the beginning of calendar year 2023. Draws through April 30, 2022 totaled $2,071,264.

MPDU I (64)

In December 2013, the Commission authorized the Executive Director, in partnership with Jubilee Association of Maryland, Inc. ("Jubilee"), to accept a grant award to acquire and renovate at least two homes for adults with developmental disabilities. Staff identified three MPDU I (MPDU 64)

HOC-owned townhomes in the Chadburn Place Subdivision of Montgomery Village that can be acquired and wholly-owned by a special purpose entity ("SPE") and subsequently renovated to suit the needs of low-income, developmentally disabled adults, to be operated by Jubilee. For HOC to sell the Chadburn Units to the SPE, all debt and mortgage insurance obligations had to be resolved, including prepayment of the outstanding mortgages. On March 3, 2021, the Commission approved a draw of up to $1,400,000 from the PNC Bank LOC to fund the repayment of the outstanding mortgages, as well as the costs related to the renovation, permit fees and construction administration expenses associated with the development plan for three Chadburn Units. Draws through April 30, 2022 totaled $895,819.

Ambassador

On October 28, 2014, HOC prepaid the Ambassador mortgage by drawing $1,862,495 from the RELOC and used the funds to redeem prior outstanding bonds issued for the project. On April 3, 2019, the Commission approved authorization for the Executive Director to enter into a binding joint venture operating agreement to pursue the redevelopment of Wheaton Gateway consisting specifically of the Lindsay Ford Parcels and the Ambassador Apartments. The RELOC loan will be repaid from financing proceeds from the redevelopment. The building has been demolished as of April 2020. The predevelopment continues at its Sketch Plan phase and closing of the vertical financing is projected to occur in 2024.

Avondale

The $7,037,704 drawn on the RELOC funded the acquisition of the Avondale properties. Staff has been working to determine the appropriate development strategy for the property. A partial payment of $1,213,253 was made on April 15, 2022 leaving a balance of $5,824,451.

Year 15 LIHTC

On August 3, 2016, the Commission approved taxable draws on the RELOC in an aggregate amount not to exceed $1.6MM as an interim source of funding for consulting services related to the acquisition of full ownership of Year 15 Properties (Barclay, Georgian Court, Manchester Manor, Metropolitan, MHLP IX, MHLP X, Shady Grove, Stewartown Homes, Strathmore Court and Willows). The RELOC loan will be repaid as part of the total project costs for the eventual recapitalization of Year 15 Properties. Draws through March 31, 2022 total $1,371,600 for payments to Morrison Avenue Capital Partners for consulting services to evaluate, negotiate, and complete limited partners' exits related to the acquisition of ten Year 15 properties.

Brooke Park Apartments Construction Bridge Loan

In 2013, the Montgomery County Department of Housing and Community Affairs ("DHCA") exercised its right of first refusal and assigned the right to HOC to purchase Brooke Park Apartments. DHCA approved a commitment letter to finance the net funding needed but was delayed due to other closing commitments. To bridge the receipt of the County loan, the Commission authorized on July 1, 2020 to draw up to $1.8 million on the PNC LOC, which was fully drawn. On February 3, 2021, the Commission authorized an additional $1.6 million to be drawn from the RELOC to avoid interruption in construction activities and to complete the renovation by March 2021. To date $1,598,150 has been drawn from the RELOC. Advances from the PNC lines of credit will be repaid once the County financing is in place.

ISSUES FOR CONSIDERATION:

Does the Budget, Finance and Audit Committee wish to join staff's recommendation to the Commission to extend the maturity dates for the draws on the PNC LOC and RELOC related to: Montgomery Homes Limited Partnership (MHLP) VII, Fairfax Court Apartments, HOC Fenwick & Second Headquarters, Brooke Park Apartments, Ambassador Apartments, Avondale Apartments and Year 15 LIHTC properties through June 30, 2023?

PRINCIPALS:

PNC Bank, N.A.

HOC on behalf of:

- Montgomery Homes Limited Partnership (MHLP) VII
- Brookville Road
- HOC-Fenwick & Second Headquarters
- Year 15 LIHTC Properties
- MPDU I (64)
- Fairfax Court Apartments
- Wheaton Gateway LLC
- Brooke Park Apartments
- Wheaton-University Boulevard Limited Partnership for Ambassador Apartments
- Avondale Apartments

BUDGET IMPACT:

The amount of interest expense for FY 2023 is estimated to be $747,808. The interest expense will be included in the FY 2023 Agency Budget.

TIME FRAME:

For informal discussion at the May 24, 2022 Budget, Finance and Audit Committee meeting. For formal Commission action at the June 8, 2022 meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Budget, Finance and Audit Committee join its recommendation to the Commission to extend the use of the LOC and the RELOC to finance Commission approved actions related to: Montgomery Homes Limited Partnership (MHLP) VII, Fairfax Court Apartments, Lyttonsville (8800 Brookville Road), Lindsay Ford Holdings Site (Wheaton Gateway), HOC Fenwick & Second Headquarters and Headquarters, Brooke Park Apartments, MPDU I (64), Ambassador Apartments, Avondale Apartments and Year 15 LIHTC properties through June 30, 2023.

M E M O R A N D U M

TO: Housing Opportunities Commission of Montgomery County; Budget, Finance and Audit Committee

VIA: Kayrine Brown, Acting Executive Director

FROM: Staff: Lynn Hayes Division: Housing Resources Ext. 9622
Ali Khademian Ext. 9628

RE: **Procurement of Inspection Services:** Authorization to Extend the Inspection Services Contract with Inspection Experts, Inc. ("IEI")

DATE: May 24, 2022

STATUS: **Consent ______ Deliberation ___X___ Status Report______ Future Action**

BACKGROUND:

All Housing Choice Voucher ("HCV") units must meet minimum standards prior to the execution of the Housing Assistance Payment ("HAP") Contract and annually throughout the term of the assisted tenancy, as defined in 24 CFR Part 982. These standards are referred to as Housing Quality Standards, ("HQS") and include fourteen key aspects.

HQS inspections may be performed by HOC staff or contractors to ensure that the units are in decent, safe and sanitary condition. In addition to initial and annual inspections, the Public Housing Authority ("PHA") is required to conduct Special or Complaint Inspections ("Special"), and Quality Control ("QC") Inspections.

The Housing Opportunities Commission executed a two-year contract with Inspection Experts, Inc. ("IEI") on June 2, 2020 to conduct initial, annual and special inspections. The contract will expire on July 1, 2022 and is eligible for two optional one-year renewals.

Staff is requesting that the Housing Opportunities Commission renew the contract with IEI for one year, with the following new provisions:

- IEI Inspectors will utilize the Yardi Voyager Software Module for all data entry;
- IEI Inspectors will conduct Quality Control Inspections;
- IEI Inspectors will conduct virtual inspections, in lieu of in-person inspections, if requested by the tenant;
- IEI will conduct Carbon Monoxide Detector inspections commencing December 27, 2022; and
- IEI will conduct up to 18,000 initial, annual, Special and QC inspections.

In addition to the HQS inspections, IEI is contracted to perform inspections of HOC's units in conformance with Chapter 26 of the Montgomery County Code.

The remainder of the contract is relatively unchanged and stipulates the same terms in the original agreement. In addition to inspections for the HCV Program, the contractor may conduct inspections for the Supportive Housing Program, Radon Inspections and Lead-Based Paint Inspections.

IEI is an approved Woman-Owned Small Business ("WOSB"), which excels in solid contract performance with several federal government agencies as well as private sector clients. Staff proposes continuation of the contractual agreement with IEI for one additional year.

Funding
HQS inspections are funded by the HCV program Administrative Fees. Inspections for units in accordance with Chapter 26 of the Montgomery County Code are funded in the budget from the General Fund.

ISSUES FOR CONSIDERATION:
Does the Budget, Finance and Audit Committee wish to join staff's recommendation to the Commission to authorize the Executive Director, or her designee to renew the contract with Inspection Experts, Inc. for one year, to provide Inspections for the Housing Choice Voucher Program and HOC properties as requested, and in so doing, incorporate the new provision herein described?

PRINCIPALS:
Housing Opportunities Commission of Montgomery County
Inspection Experts, Inc.

BUDGET IMPACT:
There is no adverse impact to the Agency's FY 2022 operating budget. The FY2023 Recommended Budget included $300,000 for Chapter 26 inspections and $556,920 for HQS inspections.

Staff is reviewing a revised proposal from IEI to reflect the scope of work for HQS inspections and will include any changes in the adopted budget as well as request the Commission's approval for the renewal contract on June 8, 2022. The budget for Chapter 26 inspections will remain the same.

TIME FRAME:
For discussion at the May 24, 2022 meeting of the Budget Finance and Audit Commit and for formal action at the open meeting of the Commission on June 8, 2022.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:
Staff recommends that the Budget, Finance and Audit Committee join staff's recommendation to the Housing Opportunities Commission of Montgomery County to renew the inspections services contract with Inspection Experts, Inc. for one year to provide Inspections for the Housing Choice Voucher Program and HOC properties as requested, and in so doing, incorporate the new provision herein described.

MEMORANDUM

TO: Housing Opportunities Commission of Montgomery County
Development Corporation Board of Directors

VIA: Kayrine Brown, Acting Executive Director

FROM: Staff: Jay Berkowitz, Asset Manager — Division: Property Management — Ext. 9676
Nathan Bovelle, Interim Director — Division: Property Management — Ext. 9708

RE: **Procurement of Property Management Services:** Renewal of Property Management Contracts for Alexander House Development Corporation, Diamond Square Development Corporation, Brookside Glen Development Corporation, Glenmont Crossing Development Corporation, Glenmont Westerly Development Corporation and Wheaton Metro Development Corporation, and Oaks at Four Corners Development Corporation

DATE: May 24, 2022

STATUS: **Consent ______ Deliberation __x__ Status Report______ Future Action**

BACKGROUND:

In accordance with Appendix F of the Housing Opportunity Commission of Montgomery County's ("HOC") Procurement Policy of June 7, 2017, staff is submitting management contracts to the Budget, finance and Audit Committee in support of staff's recommendation to the Commission for renewal.

The following table identifies the affected properties and provides property information, including the current property management company, annual renewal contract cost, current contract end date, proposed renewal start and end date and contract terms remaining:

Property	Type	Current Vendor	Current Vendor Start Date	Annual Renewal Contract Cost	Current Contract End Date	Proposed Renewal Period	Remaining Contract Renewals
Alexander House	Family	Edgewood	12/1/2017	$86,376	6/30/2022	7/1/2022-6/30/2023	0
Diamond Square	Family	Residential One	12/1/2019	$55,800	6/30/2022	7/1/2022-6/30/223	0
Oaks at Four Corners	Senior	Edgewood	1/1/2019	$54,720	7/31/2022	8/1/2022-7/31/2023	0
Brookside Glen	Family	Edgewood	7/1/2019	$44,000	6/30/2022	7/1/2022-6/30/2023	0
Glenmont Crossing	Family	Edgewood	7/1/2019	$48,552	6/30/2022	7/1/2022-6/30/2023	0
Glenmont Westerly	Family	Edgewood	5/1/2008	$51,048	6/30/2022	7/1/2022-6/30/2023	0
MetroPointe	Family	Bozzuto	5/1/2008	$124,405	6/30/2022	7/1/2022-6/30/2023	0

This submittal includes contracts for seven (7) properties managed by three (3) different property management companies. Those companies include Bozzuto, Edgewood Management, and Residential One. These companies have provided property management services to HOC over several years. Their history with HOC follows.

Bozzuto – Headquartered in Greenbelt, MD, Bozzuto has been providing property management services to the Mid-Atlantic area and several other states across the country since 1988. They currently manage four (4) properties for HOC. They have been very responsive to our customers.

Edgewood Management – Edgewood is a well-known property management company that has been providing property management services in the Metropolitan area since 1971. They have a long-standing relationship with HOC and have managed many entities in our portfolio including senior, multi-family and scattered sites. They have provided services to some of the most challenging entities in our portfolio and currently manage twenty-five (25) of our properties. They have recently made changes to their staffing, which have improved and have been responsiveness to HOC the needs of our customers.

Residential One – Residential One provides property management services throughout Maryland, Washington DC and Virginia. They currently manage eight (8) HOC properties. They have been very responsive to HOC.

The chart below provides some general information regarding the seven (7) properties that are included in this renewal submission:

Property	Location	Total Units	Affordable Units	AMI Restrictions	Current Occupancy	Latest REAC Score
Alexander House	Silver Spring	183	0	None	96%	96c
Diamond Square	Gaithersburg	124	81	50% AMI	98%	97B
Oaks at Four Corners	Silver Spring	120	48	60% AMI	97%	99B
Brookside Glen	Wheaton	90	45	40%-50% AMI	97%	83B
Glenmont Crossing	Bethesda		58	50% - 80% AMI	98%[3]	N/A
Glenmont Westerly	Wheaton	199	101	50%-80% AMI	97%	N/A
Wheaton Metro Dev. Corp.	Wheaton	120	0	n/a	95%	98A

Property Summary:

Alexander House Dev Corp. – Alexander House was constructed in 1992 and sits on 1.2 acres Downtown Silver Spring and has 16 stories. Alexander House is one of the three sites, which along with the original Elizabeth House and the now under-construction Elizabeth House III, make up Elizabeth Square. It underwent a major redevelopment that was completed in October 2019. A portion of the property (122 condominium units) was sold into a Low Income Housing Tax Credit owner; however, the entire property is managed by a single management company. The property A Federal Financing Bank loan financed the property and the mortgage is insured by FHA pursuant to its Risk Share Agreement with HOC.

Diamond Square – Diamond Square was constructed in 1985 and sits on 2.2 acres Gaithersburg. It is a five story mid-rise building. It was originally built as a Quality Inn. The property was converted to rental housing (single room occupancy units) in a joint venture between HOC, Montgomery County, and the City of Gaithersburg in 1990. The property was renovated from 2000-2005 and upgrades included construction of a community room and garden.

Oaks at Four Corners – The Oaks at Four Corners is a garden style walk-up apartment development, which was constructed in 1986 and sits on 5.56 acres in Silver Spring. The underlying land is owned by Montgomery County and the improvements is subject to a ground lease. This property serves seniors age 62 and older, has not yet undergone a comprehensive renovation, but is in the planning pipeline for 2023.

Brookside Glen – Brookside Glen is a garden style community that was constructed in 1995 and sits on 6 acres in Wheaton. Many of these units were renovated upon unit turnover and most of those renovations were completed 2015.

Glenmont Crossing – Glenmont Crossing was built in 1967 and sits on 6.69 acres in Wheaton. Loan refinancing was completed in 2019. A Federal Financing Bank loan financed the property and the mortgage is insured by FHA pursuant to its Risk Share Agreement with HOC.

Glenmont Westerly – Glenmont Westerly was constructed in 1967 and sits on 4.6 acres in Wheaton. Loan refinancing was completed in 2019. A Federal Financing Bank loan financed the property and the mortgage is insured by FHA pursuant to its Risk Share Agreement with HOC.

Wheaton Metro Dev Corp. – Wheaton Metro Dev Corp. (MetroPointe) was constructed in 2008 and sits on 2.43 acres in Wheaton above the WMATA Metro Kiss & Ride parking garage. The 173 condominium units are owned by Wheaton Metro Dev Corp. (120 units) and Wheaton Metro Limited Partnership (53 units), a LIHTC partnership, with HOC as the managing general partner. The It is a high-rise building that sits atop Wheaton Metro. The mortgage is financed with tax-exempt governmental bonds issued by HOC and insured by FHA pursuant to its Risk Share Agreement with HOC.

ISSUES FOR CONSIDERATION:
Will the Budget, Finance and Audit Committee join staffs' recommendation to the Commission, that the Commission approve renewing the property management contract with Edgewood for Alexander House Dev Corp., Oaks at Four Corners Dev Corp., Brookside Glen Dev Corp, Glenmont Crossing Dev Corp., and Glenmont Westerly Dev Corp.? It also includes renewals, with Residential One for Diamond Square Dev Corp and with Bozzuto for Wheaton Metro Dev Corp.

BUDGET IMPACT:
The renewal of the property management contracts will not have a budget impact, as the costs associated with the services are included in the property budgets. Additionally, the contracts will be performance-based so fees will be lower if revenue declines below budgeted expectations or if a property receives less than an 80 on a REAC inspection.

TIME FRAME: For informal discussion at the May 24, 2022 Committee meeting. For formal Commission action at the June 9, 2022 meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:
Staff requests that the Development Corporation Board of Directors join its recommendation to the Commission that the Commission approve the property management contract renewal with Edgewood for

Alexander House, Oaks at Four Corners, Brookside Glen, Glenmont Crossing, Glenmont Westerly and Diamond Square with Residential One and Wheaton Metro (MetroPointe) with Bozzuto.

MEMORANDUM

TO: Housing Opportunities Commission of Montgomery County
Budget, Finance and Audit Committee

VIA: Kayrine Brown, Acting Executive Director

FROM: Staff: Jay Berkowitz, Asset Manager — Division: Property Management — Ext. 9676
Nathan Bovelle, Interim Director — Division: Property Management — Ext. 9708

RE: **Procurement of Property Management Services:** Renewal of Property Management Contracts for Cider Mill Apartments, Forest Oak Towers, Georgian Court, Greenhills Apartments, Stewartown Homes, Westwood Towers and Fenton Silver Spring.

DATE: May 24, 2022

STATUS: **Consent ______ Deliberation ___x___ Status Report______ Future Action**

BACKGROUND:
In accordance with Appendix F of the Housing Opportunity Commission of Montgomery County's ("HOC") Procurement Policy of June 7, 2017, staff is submitting management contracts to the Budget, Finance and Audit Committee in support of staff's recommendation to the Commission for renewal.

The following table identifies the affected properties and provides property information, including the current property management company, annual contract cost, current contract end date, proposed renewal start and end date and contract terms remaining:

Property	Type	Current Vendor	Contract Start Date	Annual Renewal Contract Cost	Current Contract End Date	Proposed Renewal Period	Remaining Contract Renewals
Forest Oak Towers	Senior	Habitat America	7/1/2019	$75,600	6/30/2021	7/1/2022-6/30/2023	0
Fenton Silver Spring	Family	Edgewood	8/1/2019	$62,000	8/29/2022	8/30/2022-8/29/2023	1
Cider Mill	Family	Grady	1/1/2019	$403,000	6/30/2022	7/1/2022-6/30/2023	0
Greenhills	Family	CAPREIT	7/1/2019	$44,000	6/30/2022	7/1/2022-6/30/2023	0
Westwood Tower	Family	CAPREIT	7/1/2019	$131,000	6/30/2022	7/1/2022-6/30/2023	0
Georgian Court	Family	Edgewood	1/1/2006	$63,912	6/30/2022	7/1/2022-6/30/2023	0
Stewartown Homes	Family	Edgewood	7/1/2003	$43,044	6/30/2022	7/1/2022-6/30/2023	0

This submittal includes contracts for seven (7) properties managed by four different property management companies. Those companies include CAPREIT Management, Edgewood Management, Grady Management and Habitat America. These companies have provided property management services to HOC over several years. Their history with HOC is as follows:

CAPRIET – CAPRIET is a nationwide property management company founded in 1993. Its executive office is in Washington DC. They provide quality property management services to HOC and are responsive to our customers.

Edgewood Management – Edgewood is a well-known property management company that has been providing property management services in the Metropolitan area since 1971. They have a long-standing relationship with HOC and have managed many entities in our portfolio, including senior, multifamily, and scattered sites. They have provided services to some of the most challenging entities in our portfolio. They have recently made changes to their staffing, which have improved responsiveness to HOC and the needs of our customers.

Grady Management – Grady Management has been providing property management services in the area for more than 55 years. This company currently manages Cider Mill for HOC, which is the largest property in HOC's portfolio and perhaps the most challenging. Grady has been responsive to our customers' needs and works with HOC and community groups to ensure the safety and wellbeing of the families at the property.

Habitat America – Habitat America, founded in 1988, provides property management services in Maryland, Washington DC, Virginia and Delaware. They are a woman-owned company that specializes in age-restricted, market-rate and affordable housing. They currently manage four (4) properties for HOC and have been responsive to our customers' needs.

The chart below provides some general information regarding the seven (7) properties that are included in this renewal submission:

Property	Location	Total Units	Affordable Units	AMI Restrictions	Current Occupancy	Latest REAC Score
Alexander House	Silver Spring	122	1220	60%	96%	96c
Forest Oak Towers	Gaithersburg	175	175	60% AMI	100%	99a
Fenton Silver Spring	Silver Spring	124	124	30%-80% ANI	96%	N/A
Cider Mill	Gaithersburg	864	345	60% AMI	94%	41c
Greenhills	Damascus	77	55	60% AMI	96%	N/A
Westwood Tower	Bethesda	212	58	30% - 80% AMI	95%	N/A
Georgian Court	Silver Spring	147	147	60% AMI	87%	97b
Stewartown Homes	Gaithersburg	94	94	60% AMI	82%	95b
Wheaton Metro LP	Wheaton	53	53	50% AMI	95%	98A

Property Summary:

Alexander House Limited Partnership – Alexander House was constructed in 1992, sits on 1.2 acres Downtown Silver Spring, and has 16 stories. Alexander House is one of the three sites, which along with the original Elizabeth House and the now under-construction Elizabeth House III, make up Elizabeth Square. It underwent a major redevelopment that was completed in October 2019. A portion of the property (183 condominium units) was retained by Alexander House Development Corporation; however, the entire property is managed by a single management company. A Federal Financing Bank loan financed the property and the mortgage is insured by FHA pursuant to its Risk Share Agreement with HOC.

Forest Oak Towers – Forest Oak Towers was constructed in 1981 and sits on 3.20 acres in Gaithersburg. It is one of our few up-county multifamily assets, has 10 stories, and houses households who are 62 years of age and older. HOC acquired this asset in 2007 into a Low Income Housing Tax Credit ("LIHTC") limited partnership, then proceeded to complete modest renovations. It will reach the end of its initial 15-year compliance period for LIHTC purposes at the end of 2022. The property is financed with a mortgage loan funded by tax-exempt bonds issued by HOC and insured by FHA pursuant to its Risk Share Agreement with HOC.

Fenton Silver Spring – Fenton Silver Spring was constructed in 2019 and is in Downtown Silver Spring. It is a 124-unit, mixed-income, mixed-use apartment community with 5,098 square feet of ground-floor retail space. A LIHTC limited partnership owns property and uses the Income Averaging provision to allow occupancy by households with incomes of up to 80% of the area median income. A Federal Financing Bank loan financed the property and the mortgage is insured by FHA pursuant to its Risk Share Agreement with HOC.

Cider Mill – Cider Mill was built in 1972 and sits on 42.28 acres in Montgomery Village. HOC purchased the property approximately 5 years ago with ultimate plans to redevelop the entire property. As such, we are aware of some of the critical capital needs at this site. The low REAC score was mostly due to the issues associated with needed comprehensive roof replacements. Staff is currently working to replace six of the most critical flat roofs. There is also an existing Invitation for Bid to replace all shingled mansard roofs throughout the property. The Real Estate Development team is also exploring the possibility of installing solar panels at this property. A Federal Financing Bank loan financed the property and the mortgage is insured by FHA pursuant to its Risk Share Agreement with HOC.

Greenhills – Greenhills was built in 1984 and sits on 7.66 acres in Damascus. Renovations to this site were completed in May 2020. The property converted from an unrestricted property (but for Commission restrictions) into a LIHTC ownership entity with 70% of the units (55) restricted to households with income at or below 60% of the area median income and 30% unrestricted. The property is financed with a mortgage loan funded by tax-exempt bonds issued by HOC and insured by FHA pursuant to its Risk Share Agreement with HOC.

Westwood Towers - Westwood Tower is a 15-story 212-unit high-rise apartment building built in 1967 located on 3.55 acres in Bethesda. HOC has had a master lease on the property since 1997, which included a right to purchase the property after 20 years (2018) for $20 million. HOC exercised its right of purchase using an uninsured variable rate loan from United Bank and now owns 100% of the property. It was renovated in 2006.

Georgian Court – Georgian Court was constructed in 1976 and sits on 6.85 acres in Aspen Hill. This property has 12 buildings with garden style townhomes. While some moderate renovations were completed in 2000, this site is now in the process of being completing a comprehensive renovation with residents in place by creating vacancies, which is the cause of the current low occupancy rate. Renovations at this site are scheduled to be complete in the fourth quarter of 2023. The property is financed with a mortgage loan funded by tax-exempt bonds issued by HOC and insured by FHA pursuant to its Risk Share Agreement with HOC.

Stewartown – Stewartown Homes was built in 1976 and sits on 10.12 acres in Gaithersburg. This property has 14 buildings with garden style townhomes. While some renovations were completed in 2020, this site is now in the process of being completely renovated HOC is holding units vacant at these properties to facilitate ongoing renovations at these sites, which is the cause of the current low occupancy rate. Renovations at this site are scheduled to be complete in the fourth quarter of 2022. The property is financed with a mortgage loan funded by tax-exempt bonds issued by HOC and insured by FHA pursuant to its Risk Share Agreement with HOC.

Wheaton Metro – Wheaton Metro Limited Partnership (MetroPointe) was constructed in 2008 and sits on 2.43 acres in Wheaton above the WMATA Metro Kiss & Ride parking garage. The 173 condominium units are owned by Wheaton Metro Dev Corp. (120 units) and Wheaton Metro Limited Partnership (53 units), a LIHTC partnership, with HOC as the managing general partner. It is a high-rise building that sits atop Wheaton Metro. The mortgage is financed with taxable bonds issued by HOC and insured by FHA pursuant to its Risk Share Agreement with HOC.

ISSUES FOR CONSIDERATION:

Will the Budget, Finance and Audit Committee join staffs' recommendation to the Commission to approve the renewal of the property management services contracts for Forest Oak Towers, Fenton Silver Spring, Cider Mill Apartments, Greenhills Apartments, Westwood Towers, Georgian Court and Stewartown Homes?

BUDGET IMPACT:

The renewal of the property management contracts will not have an adverse budget impact for the FY2023 operating budget. The costs associated with the services are included in the property budgets, which are presented for approval with the Agency's budget on June 8, 2022. Additionally, the contracts will be performance-based so fees will be lower in the event revenues decline below budgeted expectations or if a property receives less than an 80 on a REAC inspection. HOC is currently considering implementing an up to 2% reduction in the management fee for Grady Management because of the decreased REAC score for Cider Mill Apartments in accordance with the terms of the existing contract.

TIME FRAME:

For informal discussion at the Budget, Finance and Audit Committee meeting on May 24, 2022 and for formal Commission action at the June 8, 2022 meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Budget, Finance and Audit Committee join staffs' recommendation to the Commission to approve the renewal of the property management services contracts with the respective management companies heretofore discussed, for Cider Mill Apartments, Forest Oak Towers, Georgian Court, Greenhills Apartments, Stewartown Homes and Westwood Towers for one year through June 30, 2023 and for Fenton Silver Spring through August 29, 2023.