Housing Opportunities Commission
OF MONTGOMERY COUNTY

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

BUDGET, FINANCE AND AUDIT COMMITTEE

May 25, 2021
10:00 a.m.

Livestream: https://youtu.be/vOhMuUoFy4U

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Minutes

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

Budget, Finance and Audit Committee Minutes

May 11, 2021

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 11, 2021, with moderator functions occurring at 10400 Detrick Avenue, Kensington, Maryland beginning at 10:04 a.m. Those in attendance were:

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

Also Attending

Stacy Spann, Executive Director
Aisha Memon, General Counsel
Terri Fowler, Budget Officer
Claudia Wilson
Emma Fiorentino
Nicolas Deandreis
Nathan Bovelle
Matt Husman
Jay Berkowitz
Len Vilicic
Fred Swan
Ellen Goff

Kayrine Brown, Deputy Executive Director
Cornelia Kent, Chief Financial Officer
Olutomi Adebo, Assistant Budget Officer
Patrick Mattingly
Frederic Colas
Charnita Jackson
Millicent Anglin
Nilou Razeghi
Leidi Reyes
Darcel Cox
Zachary Marks
Miriam Caballero

Patrice Birdsong, Spec. Asst. to Commission

Commissioner Nelson opened the meeting with a roll call of Commissioners who participate on the Committee, Richard Y. Nelson, Jr., Chair, Roy Priest, and Frances Kelleher.

APPROVAL OF MINUTES

The minutes of April 20, 2021, were approved as submitted with a motion by Commissioner Kelleher and seconded by Commissioner Priest. Affirmative votes were cast by Commissioners Nelson, Priest, and Kelleher.

REPORTS

1. Budget Presentations: Presentation of the Fiscal Year 2022 Opportunity Housing Fund

Cornelia Kent, Chief Financial Officer, gave an overview of the General and Public Fund Budget presentation given by Olutomi Adebo, Assistant Budget Officer, on April 20, 2021. Ms. Kent introduced Terri Fowler, Budget Officer, who provided presentations of the Fiscal Year 2022 Opportunity Housing Fund and Mortgage Finance and Real Estate Development.

Ms. Fowler reported on the Opportunity Housing Fund and the revenue and expenses. She explained the breakdown of activities.

There was discussion among the Committee in regards to vacancies and the impact of the COVID-19 pandemic and its effect on rentals. Commissioner Nelson suggested that a more robust discussion be had with the full Commission as it relates to the moratorium.

There was no formal action required for full Commission approval.

2. Budget Presentation: Presentation of the Fiscal Year 2022 Mortgage Finance and Real Estate Development

Terri Fowler, Budget Officer, provided a presentation indicating that the recommended budget reflects the Agency's continued commitment to its mission, but the COVID-19 pandemic has affected the social, racial, and economic inequities of the population we serve. Ms. Fowler reported that there is more support to address these gaps but that more still needs to be done.

Terri Fowler, Budget Officer, provided an explanation of the charts found in the briefing material of the financial history in regard to the commitment and financial fees. There were no changes to the Mortgage Finance and Real Estate Development budget from the recommended budget.. Small refinements will be made prior to the June 9, 2021 full Board meeting.

There was no formal action required for full Commission approval.

The meeting adjourned at 10:42 a.m. by Committee Chair Nelson. The next scheduled meeting is May 25, 2021.

Respectfully submitted,

Stacy L. Spann
Secretary-Treasurer

/pmb

Discussion Items

M E M O R A N D U M

TO:	Housing Opportunities Commission Budget, Finance and Audit Committee			
VIA:	Stacy L. Spann, Executive Director			
FROM:	Staff:	Cornelia Kent	Division: Finance	Ext. 9754
		Terri Fowler		Ext. 9507
		Tomi Adebo		Ext. 9472
RE:	Fiscal Year 2021 (FY'21) Third Quarter Budget to Actual Statements: Presentation of the FY'21 Third Quarter Budget to Actual Statements			
DATE:	May 25, 2021			

BACKGROUND:
The Executive Director is presenting the quarterly budget to actual statements and amendments to the BF&A for informal review. Staff will present recommendations to the full Commission for formal action.

ISSUES FOR CONSIDERATION:
To assess the financial performance of the Agency for the third quarter of FY'21 against the budget for the same period.

BUDGET IMPACT:
None for FY'21.

TIME FRAME:
For informal discussion at the May 25, 2021 Committee meeting. For formal Commission action at the June 9, 2021 meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:
Staff requests that the Budget, Finance and Audit Committee join its recommendation to the full Commission acceptance of the Third Quarter FY'21 Budget to Actual Statements.

<u>DISCUSSION – THIRD QUARTER BUDGET TO ACTUAL STATEMENTS</u>

This review of the Budget to Actual Statements for the Agency through the third quarter of FY'21 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.

<u>HOC overall (see Attachment A)</u>

Please note 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 revenue and 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 Budget to Actual Comparison Summary Statement (Attachment A) shows unrestricted net cash flow or deficit for each of the funds. Attachment A also highlights the FY'21 Third Quarter Capital Budget to Actual Comparison.

The Agency ended the quarter with a net cash flow surplus of $3,194,827. This surplus resulted in a third quarter budget to actual positive variance of $1,228,503 when compared to the anticipated third quarter net cash flow surplus of $1,966,324. The primary causes were higher cash flow in some of the unrestricted Opportunity Housing Properties as a result of property performance (see Opportunity Housing Fund) and savings in various expense categories in the General Fund (see General Fund).

The Bad Debt expense in the Opportunity Housing portfolio was $2.3M, an increase of 15% or $304k since the second quarter. The non-receipt of rents has been partially offset through savings in maintenance expenses in many of the properties totaling approximately $334k as well as the deferral of County Loan Payments of almost $691k due to COVID 19. Staff does not anticipate that the full savings in maintenance expenses will be realized at year end.

As discussed during the FY'21 Second Quarter Budget to Actual presentation, staff developed a reforecast of the anticipated impact on rent receipts and the corresponding impact to the Allowance for Bad Debt due to the continuation of the COVID-19 Pandemics impact on property performance. This reforecast was incorporated into the FY'21 Budget Amendment. While the bad debt allowance is not trending up at the anticipated pace, due to a recent uptick in rental receipts from tenants, it is also not decreasing resulting in a current receivable balance of approximately $5.5M. This is primarily due to the rental receipts being applied to reduce prior outstanding balances and the current month's rent increasing the outstanding balance by the same amount. It is too soon to know if the recent uptick in receipts will continue or if it is based on a temporary relief from either stimulus payments or tax refunds.

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 $5,136,681, which resulted in a positive variance of $748,700 when compared to the projected deficit of $5,885,381.

As of March 31, 2021, income in the General Fund was $101,895 lower than budgeted and expenses were $850,595 lower than budgeted. The negative income variance was primarily the result of delays in the receipt of anticipated commitment and development fee income and lower draws from the Opportunity Housing Reserve Fund (OHRF) for Real Estate personnel and predevelopment costs that were partially offset by higher than anticipated income from properties utilizing the FHA Risk Sharing program, which is reflected as income in the General Fund with a corresponding expense to restrict the income to the FHA Risk Sharing Reserve. The positive expense variance was primarily the result of lapse in salary and benefits coupled with savings in professional services, computer software, utilities and tenant services expenses that were partially offset by overages in maintenance due to COVID 19 and insurance cost. A portion of these savings is the result of timing issues, 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 $91,622 and $49,378, 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 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'21 Operating Budget. This group ended the quarter with cash flow of $5,381,363 or $566,958 less than projected.

- **Alexander House Dev Corp** ended the quarter with a negative cash flow variance of $685,902 as a result of lower gross rents coupled with higher concessions, vacancy loss and bad debt expense that were offset slightly by savings in administrative and security expenses. Cash flow at **The Barclay Dev Corp** was $118,908 lower than anticipated due to higher vacancies coupled with higher concessions. **Glenmont Crossing Dev Corp** experienced a negative cash flow variance of $19,937 as a result of lower tenant income and higher utility cost that was partially offset by savings in administrative and maintenance expenses. **Glenmont Westerly Dev Corp** experienced a positive cash flow variance of $59,697 as a result of lower maintenance and administrative costs that were offset by higher utility expense and lower gross rents. **The Metropolitan Dev Corp** ended the quarter with a negative cash flow variance of $255,128 as a result of lower tenant rents and slightly higher concessions and vacancy loss that were partially offset by savings in utility and maintenance costs. **Montgomery Arms Dev Corp** and **Pooks Hill High-Rise Dev Corp** experienced negative cash flow variances of $37,128 and $67,727, respectively, as a result of higher vacancy loss that was partially offset by savings in utility and maintenance costs. Montgomery Arms also experienced lower rents. Cash flow for **Paddington Square** was $102,414 lower than budget as a result of lower rents and higher vacancies coupled with overages in utility costs that were partially offset by savings in maintenance and bad debt expenses. **Scattered Site One Dev Corp** reported a positive cash flow variance of $104,346 primarily attributed to lower bad debt expense compared to the amended budget that was partially offset by overages in maintenance coupled with lower tenant income and higher vacancy loss. Cash flow at **Sligo Development Corp** was $10,921 lower than anticipated due to lower gross rents partially offset by savings in administrative, maintenance and bad debt expenses. **VPC One Dev Corps** and **VPC Two Dev Corps** experienced positive cash flow variances of $374,670 and $127,056, respectively, largely the result of lower bad debt expense compared to the amended budget coupled with savings in administrative and utility expenses. VPC One also experienced savings in maintenance expenses. The savings in expenses at VPC One were partially offset by higher concessions at the property. The savings in expenses at VPC Two were partially offset by lower gross rents and higher maintenance expenses.

- The second group consists of properties whose cash flow will not be used for the Agency's FY'21 Operating Budget. Cash flow from this group of Development Corporation properties was $16,533 lower than budgeted for the quarter. **MetroPointe Dev Corp** reported a negative cash flow variance of $95,457 primarily attributed to lower tenant income and higher vacancy loss coupled with lower tenant fee income. Cash flow at the **Oaks at Four Corners Dev Corp** was $37,542 higher than anticipated due to savings in administrative, tenant services and maintenance costs partially offset by lower rents and slightly higher vacancy loss. The **RAD 6** properties experienced a positive cash flow variance of $41,382 collectively, as a result of higher tenant income offset by overages in various expense categories. Cash flow at **Ken Gar** was $37,966 lower than anticipated due to lower tenant rents and higher maintenance expenses. The planned deficit at **Seneca Ridge** was $72,190 lower than anticipated primarily due to higher gross rents and lower than anticipated vacancy loss. **Washington Square** reported a negative cash flow variance of $50,022, primarily attributed to higher bad debt, administrative, utility and maintenance expenses that were partially offset by lower vacancy.

Attachment C is a chart of 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'21 Operating Budget. This group ended the quarter with cash flow of $2,950,145 or $1,046,761 more than projected.

- Cash flow at **MPDU I (64)** was $75,741 higher than anticipated due to lower bad debt expense partially offset by lower tenant rents and higher vacancy loss. **Barclay Affordable** experienced a positive cash flow variance of $123,050 as a result of lower bad debt, maintenance, and administrative costs coupled with higher tenant rents that were partially offset by unplanned concession and higher than anticipated utilities. **Camp Hill Square** reported a negative cash flow variance of $117,098 primarily attributed to higher security, maintenance and administrative costs that were partially offset by slightly higher gross rents offset by higher vacancies at the property. **Chelsea Towers** experienced a positive cash flow variance of $75,356 as a result of lower debt service expense, as a result of delaying payment on the County loan due to COVID 19 impact on Agency income, coupled with lower vacancy. Cash flow at **Fairfax Court** was $50,604 lower than anticipated due to higher maintenance, utility and administrative costs coupled with slightly lower gross rents and higher vacancy that were partially offset by lower bad debt expense. **Holiday Park** reported a negative cash flow variance of $61,794 primarily due to overages in maintenance costs coupled with unplanned vacancy loss and slightly lower rents. Cash flow at the three **Manor** properties was collectively $51,539 ($39,555 + $32,172 - $20,188) higher than anticipated due to saving related to the refinancing of loans on the properties that was partially offset by higher vacancies to support for the upcoming renovations. **McHome** experienced a positive cash flow variance of $44,870 as a result of savings in maintenance and bad debt expenses that were partially offset by higher vacancies. **Metropolitan Affordable** experienced a positive cash flow variance of $85,787 as a result of savings in tenant services, utility and tax expenses that were partially offset by higher vacancies. Cash flow for **MHLP VII** was $68,637 more than anticipated largely due to savings in administrative, maintenance, and bad debt expenses coupled with higher gross rents that were partially offset by higher vacancies. **MHLP X** experienced a positive cash flow variance $228,281 as a result of saving in administrative, utility, maintenance and bad debt expenses as well as lower debt service expense as a result of delaying payment on the County loans. **Pooks Hill Mid-Rise** experienced a negative cash flow variance of $25,030 as a result of lower gross rents and higher vacancies coupled with overages in utility costs that were partially offset by savings in maintenance cost and debt service payments. **Shady Grove Apt** experienced a positive cash flow variance of $378,028 as a result of higher tenant income due to the catchup on subsidy payments rates and lower vacancy coupled with savings in administrative and maintenance expenses and lower debt service payments offset by higher utility costs. Cash flow at **Stewartown Affordable** was $209,592 higher than anticipated due to saving in administrative, tenant services, maintenance and debt service expenses coupled with higher gross rents and lower vacancies offset by higher utility expense. **Strathmore Court** experienced a negative cash flow variance of $260,619 as a result of lower tenant income and higher concessions and vacancy loss coupled with higher administrative, security, and bad debt expenses that were partially offset by savings in tenant services. **TPP LLC Pomander Court** experienced a negative cash flow variance of $40,274 primarily as a result of lower gross rents coupled with higher utility and bad debt expense. Cash flow at **The Willows** was $219,351 more than anticipated due to savings in administrative, tenant services, maintenance and debt service expenses coupled with higher gross rents that were partially offset by higher vacancy loss.

- The second group consists of properties whose cash flow will not be used for the Agency's FY'21 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 $819,190 more than budgeted. The demolition of **The Ambassador** was completed in April of 2020. The property experienced expenses of $10,079 mainly driven by costs associated with the transfer of the property to Wheaton Gateway and taxes coupled with interest paid on the outstanding debt on the PNC Real Estate Line of Credit (RELOC). There are sufficient reserves at the property to cover the costs. **Cider Mill** reported a positive cash flow variance of $344,421 primarily due to lower bad debt and the receipt of rental payments from ex-tenants coupled with lower vacancy loss countered by higher concessions and overages in utilities, maintenance and administrative costs. **Diamond Square** ended the quarter with a positive cash flow variance of $51,782 largely the result of savings throughout most expense categories that was partially offset by overages in maintenance expenses and slightly lower rental income. Cash flow at **Elizabeth House Interim RAD** was $567,765 higher than anticipated due to higher subsidy payments that included the receipt of vacant unit subsidies that were partially offset by overages throughout most expense categories. **Georgian Court Affordable** ended the quarter with a positive cash flow variance of $217,273 due to savings in most expense categories coupled with higher gross rents and lower vacancies. **Holly Hall Interim RAD**, which was vacated in November 2019 and therefore not budgeted, has continued to experience maintenance costs for the building as well as cost for securing the vacant building totaling $383,869. The property has now been fenced in so the security expense will not continue. Staff is determining the appropriate funding source for the continued expense. The **NCI units** and the **NSP units** experienced positive cash flow variances of $20,982 and $14,358, respectively, as a result of savings in most expense categories that were partially offset by higher vacancy loss is some of the units. **Southbridge** ended the quarter with a negative cash flow variance of $39,063 due to higher utility, maintenance and security costs coupled with higher vacancy. **State Rental Combined** reported a positive cash flow variance of $44,050 primarily attributed to lower bad debt and savings in administrative costs that was largely offset by higher utilities coupled with lower tenant income and higher concessions and vacancy loss.

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

- The FY'21 Budget was developed with no Public Housing property budgets. A small amount of expenses continued at **Emory Grove** for communication costs, utilities and solid waste tax.

- The Housing Choice Voucher Program (HCVP) ended the quarter with a surplus of $868,339. The surplus was comprised of Housing Assistance Payment (HAP) payments that exceeded HAP revenue by $601,446 offset by an administrative surplus of $1,469,785. The HAP shortfall was funded from the HCVP reserve (NRP), which includes funds received in prior years that were recognized but not used. The program ended the period with a positive administrative variance of $1,469,785 when compared to the projected surplus of $28,863 as a result of higher than anticipated administrative fee income coupled with a positive variance in administrative expenses due largely to salary and benefit lapse and the timing of contract expenses. The higher administrative fee income was the result of a higher proration factor of 80% compared to the budgeted proration factor of 79% and higher administrative fees received on incoming portables coupled with the Department of Housing and Urban Development (HUD) providing additional administrative fees in July and September 2020 as a result of the reconciliation of fees earned based on actual utilization from January 1 through June 30 2020.

Tax Credit Partnerships

The Tax Credit Partnerships have a calendar year end.

The Capital Budget (Attachment E)

Attachment E is a chart of the Capital Improvements Budget for FY'21. 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.

Barclay overspent the capital budget by a small amount due to unanticipated HVAC replacements. **Brookside Glen** exceeded the capital budget due to appliance and plumbing equipment replacement. The **CDBG units** exceeded their capital budget due to unanticipated carpet replacement. **Cider Mill** overspent its capital budget due to unplanned parking lot repaving and concrete replacements. The **Day Care at 9845 Lost Knife** had an unanticipated property condition assessment capital expense. **Georgian Court Affordable** has exceeded its FY'21 capital budget mainly as a result of window replacements that will be funded by residual receipts held at the property. **Holiday Park** exceeded the capital budget due to work related to the hardwiring of smoke and carbon monoxide detectors that was required by County Inspectors. **Jubilee Hermitage** exceeded its capital budget due to grounds and landscaping work at the property that was not anticipated. **Manor at Fair Hill Farm** exceeded the capital budget due to additional plumbing and HVAC replacements. **McKendree** overspent its capital budget as a result of HVAC and asphalt work that was not anticipated. The **NCI Units** exceeded their capital budget due to unanticipated kitchen and bath work, flooring replacements and emergency HVAC repairs. **Scattered Site One Dev Corp** exceeded its capital budget due to work necessitated by unanticipated unit turnovers, some of which were the result of skips. **Shady Grove** exceeded the capital budget due to higher than anticipated plumbing contract cost. **Towne Center Place Dev Corp** overspent their capital budget due to unanticipated plumbing and flooring replacements. **VPC Two** nominally exceeded its capital budget for the year as a result of unanticipated appliance and flooring replacements as well as grounds work. **Washington Square** has exceeded its FY'21 capital budget as a result of delayed billing for supplies and materials coupled with unanticipated flooring replacements.

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 21 Third Quarter Operating Budget to Actual Comparison

	Unrestricted Net Cash Flow (9 Months) Budget	(9 Months) Actual	Variance
General Fund			
General Fund	($5,885,381)	($5,136,681)	$748,700
Administration of Multifamily and Single Family Fund			
Multifamily Fund	$91,392	$183,014	$91,622
Draw from / (Restrict to) Multifamily Bond Fund	($91,392)	($183,014)	($91,622)
Single Family Fund	$70,492	$119,869	$49,378
Draw from / (Restrict to) Single Family Bond Fund	($70,492)	($119,869)	($49,378)
Opportunity Housing Fund			
Opportunity Housing Properties	$1,903,384	$2,950,145	$1,046,761
Development Corporation Property Income	$5,948,321	$5,381,363	($566,958)
OHRF			
OHRF Balance	$2,818,041	$2,095,720	($722,321)
Excess Cash Flow Restricted	($2,818,041)	($2,095,720)	$722,321
Draw from existing funds	$0	$0	$0
Net -OHRF	**$0**	**$0**	**$0**
SUBTOTAL - General Fund, Multifamily, Single Family, Opportunity Housing	**$1,966,324**	**$3,194,827**	**$1,228,503**
Public Fund			
Public Housing Rental (1)	$0	$17,588	$17,588
Housing Choice Voucher Program HAP (2)	$1,811,327	($601,446)	($2,412,773)
Housing Choice Voucher Program Admin (3)	$28,863	$1,469,785	$1,440,922
Total -Public Fund	**$1,840,190**	**$885,927**	**($954,263)**
Public Fund - Reserves			
(1) Public Housing Rental - Draw from / Restrict to Program	$0	($17,588)	($17,588)
(2) Draw from / Restrict to HCV Program Cash Reserves	($1,811,327)	$601,446	$2,412,773
(3) Draw from / Restrict to HCV Program Excess Admin Fee	($28,863)	($1,469,785)	($1,440,922)
SUBTOTAL - Public Funds	**$0**	**$0**	**$0**
TOTAL - All Funds	**$1,966,324**	**$3,194,827**	**$1,228,503**

FY 21 Third Quarter Operating Budget to Actual Comparison

	(12 Months) Budget	Capital Expenses (9 Months) Actual	Variance
General Fund			
880 Bonifant	$255,000	$43,899	$211,101
East Deer Park	$195,000	$54,269	$140,731
Kensington Office	$50,000	$34,749	$15,251
Information Technology	$532,440	$336,579	$195,861
Opportunity Housing Fund	$7,643,469	$4,872,151	$2,771,318
TOTAL - All Funds	**$8,675,909**	**$5,341,647**	**$3,123,161**

FY 21 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	$66,279	($597,713)	($88,189)	($619,623)	($685,902)
The Barclay Dev Corp	($59,663)	($108,313)	($10,596)	($178,571)	($118,908)
Glenmont Crossing Dev Corp	$322,807	($102,183)	$82,246	$302,870	($19,937)
Glenmont Westerly Dev Corp	$172,292	($83,562)	$143,259	$231,989	$59,697
Magruder's Discovery Dev Corp	$545,081	$28,844	($24,860)	$549,066	$3,985
The Metropolitan Dev Corp	$1,771,125	($287,461)	$32,334	$1,515,997	($255,128)
Montgomery Arms Dev Corp	$351,865	($43,168)	$6,040	$314,737	($37,128)
TPM - MPDU II (59) Dev Corp	$222,069	($41,375)	$85,975	$266,669	$44,600
Paddington Square Dev Corp	$345,874	($93,437)	($8,978)	$243,460	($102,414)
Pooks Hill High-Rise Dev Corp	$501,307	($116,952)	$49,225	$433,580	($67,727)
Scattered Site One Dev Corp	$81,223	($149,633)	$253,979	$185,569	$104,346
Scattered Site Two Dev Corp	($62,261)	($44,533)	$61,286	($45,508)	$16,753
Sligo MPDU III Dev Corp	$34,039	($22,901)	$11,980	$23,118	($10,921)
VPC One Dev Corp	$946,036	($60,118)	$434,788	$1,320,706	$374,670
VPC Two Dev Corp	$710,248	($124,158)	$251,214	$837,304	$127,056
Subtotal	**$5,948,321**	**($1,846,663)**	**$1,279,703**	**$5,381,363**	**($566,958)**
Properties with restricted cash flow (external and internal)					
MetroPointe Dev Corp	($68,495)	($82,543)	($12,914)	($163,952)	($95,457)
Oaks at Four Corners Dev Corp	$73,872	($13,222)	$50,764	$111,414	$37,542
RAD 6 Dev Corp Total	**($376,559)**	**$96,039**	**($54,656)**	**($335,177)**	**$41,382**
Ken Gar Dev Corp	$36,018	($29,691)	($8,274)	($1,948)	($37,966)
Parkway Woods Dev Corp	$20,441	($11,219)	$36,854	$46,075	$25,634
Sandy Spring Meadow Dev Corp	($13,733)	($107)	$36,184	$22,345	$36,078
Seneca Ridge Dev Corp	($330,629)	$63,352	$8,838	($258,439)	$72,190
Towne Centre Place Dev Corp	($18,148)	$47,359	($51,891)	($22,680)	($4,532)
Washington Square Dev Corp	($70,508)	$26,345	($76,367)	($120,530)	($50,022)
Subtotal	**($371,182)**	**$274**	**($16,806)**	**($387,715)**	**($16,533)**
TOTAL ALL PROPERTIES	**$5,577,139**	**($1,846,389)**	**$1,262,897**	**$4,993,648**	**($583,491)**

FY 21 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 FY21 operating budget					
MPDU I (64)	($75,593)	($47,359)	$123,100	$148	$75,741
Avondale Apartments	$128,665	($24,005)	$18,917	$123,576	($5,089)
Barclay Affordable	($10,383)	$11,991	$111,058	$112,667	$123,050
Brooke Park	$0	$0	($671)	($670)	($670)
Camp Hill Square	$211,020	$16,466	($133,564)	$93,922	($117,098)
Chelsea Towers	($11,677)	$7,204	$68,152	$63,679	$75,356
Fairfax Court	$56,286	($22,208)	($28,396)	$5,682	($50,604)
Holiday Park	$33,844	($9,546)	($52,247)	($27,950)	($61,794)
Jubilee Falling Creek	($1,682)	($7,885)	$12,129	$2,562	$4,244
Jubilee Hermitage	$1,256	($7,960)	($11,038)	($17,741)	($18,997)
Jubilee Horizon Court	($2,885)	$4,002	$4,989	$6,106	$8,991
Jubilee Woodedge	$3,299	($8,191)	$1,983	($2,909)	($6,208)
Manchester Manor	$15,794	($30,335)	($5,124)	($19,665)	($35,459)
The Manor at Cloppers Mill	$120,707	($30,521)	$70,076	$160,262	$39,555
The Manor at Colesville	$96,638	($30,186)	$62,358	$128,810	$32,172
The Manor at Fair Hill Farm	$122,807	($61,034)	$40,845	$102,619	($20,188)
McHome	$36,494	($15,321)	$60,190	$81,364	$44,870
McKendree	$19,122	$1,226	$19,369	$39,717	$20,595
Metropolitan Affordable	($410,979)	($2,618)	$88,405	($325,192)	$85,787
MHLP VII	$9,657	($1,430)	$70,068	$78,294	$68,637
MHLP VIII	$46,780	($72,380)	$91,664	$66,064	$19,284
MHLP IX Pond Ridge	($58,138)	($68,091)	$77,610	($48,619)	$9,519
MHLP IX Scattered Sites	($143,994)	($139,752)	$136,059	($147,688)	($3,694)
MHLP X	($84,865)	($9,004)	$237,285	$143,416	$228,281
MPDU 2007 Phase II	$8,852	$5,164	$11,228	$25,244	$16,392
Pooks Hill Mid-Rise	$205,078	($46,956)	$21,927	$180,048	($25,030)
Shady Grove Apts	$208,025	$304,305	$73,723	$586,053	$378,028
Stewartown Affordable	$43,193	$76,857	$132,734	$252,785	$209,592
Strathmore Court	$734,700	($201,369)	($59,250)	$474,081	($260,619)
Strathmore Court Affordable	($380,475)	($1,187)	$42	($381,620)	($1,145)
TPP LLC Pomander Court	$116,538	($24,784)	($15,490)	$76,264	($40,274)
TPP LLC Timberlawn	$451,705	($1,633)	$358	$450,430	($1,275)
Westwood Tower	$494,282	($191,430)	$226,889	$529,742	$35,460
The Willows	($80,687)	$63,309	$156,042	$138,664	$219,351
Subtotal	**$1,903,384**	**($564,661)**	**$1,611,420**	**$2,950,145**	**$1,046,761**
Properties with restricted cash flow (external and internal)					
The Ambassador	$0	$0	($10,079)	($10,079)	($10,079)
Brookside Glen (The Glen)	$138,101	($48,378)	$45,877	$135,600	($2,501)
CDBG Units	$2,614	($7,202)	$2,991	($1,597)	($4,211)
Cider Mill Apartments	($530,791)	$117,086	$227,335	($186,370)	$344,421
Day Care at 9845 Lost Knife Road	($16,753)	($926)	$11,352	($6,327)	$10,426
Dale Drive	$5,720	($83)	($3,157)	$2,480	($3,240)
Diamond Square	$231,924	($4,893)	$56,675	$283,706	$51,782
Elizabeth House Interim RAD	($72,089)	$1,089,539	($521,774)	$495,676	$567,765
Georgian Court Affordable	$105,142	$65,567	$151,706	$322,415	$217,273
Holly Hall Interim RAD	$0	$4	($383,873)	($383,869)	($383,869)
NCI Units	$13,017	($7,550)	$28,532	$33,999	$20,982
NSP Units	$5,705	($4,335)	$18,693	$20,063	$14,358
Olney Sandy Spring Road	($5,167)	$0	($1,053)	($6,220)	($1,053)
King Farm Village	$3,896	($219)	($1,874)	$1,803	($2,093)
Paint Branch	$57,629	($250)	($5,508)	$51,871	($5,758)
Southbridge	$55,828	($15,962)	($23,102)	$16,765	($39,063)
State Rental Combined	($99,635)	($158,006)	$202,056	($55,585)	$44,050
Subtotal	**($104,859)**	**$1,024,392**	**($205,203)**	**$714,331**	**$819,190**
TOTAL ALL PROPERTIES	**$1,798,525**	**$459,731**	**$1,406,217**	**$3,664,476**	**$1,865,951**

FY 21 Third Quarter Operating Budget to Actual Comparison
For HUD Funded Programs

	(9 Months) Budget	(9 Months) Actual	Variance
Public Housing Rental			
Revenue	$0	$96	$96
Expenses	$0	($17,492)	$17,492
Net Income	**$0**	**$17,588**	**$17,588**
Housing Choice Voucher Program			
HAP revenue	$75,033,338	$78,701,406	$3,668,068
HAP payments	$73,222,011	$79,302,852	$6,080,841
Net HAP	**$1,811,327**	**($601,446)**	**($2,412,773)**
Admin.fees & other inc.	$6,169,347	$6,935,251	$765,904
Admin. Expense	$6,140,484	$5,465,466	$675,018
Net Administrative	**$28,863**	**$1,469,785**	**$1,440,922**
Net Income	**$1,840,190**	**$868,339**	**($971,851)**

FY 21 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	$0	$0	$0
Holly Hall	$0	$0	$0	$0	$0
Emory Grove	$0	$96	$17,492	$17,588	$17,588
TOTAL ALL PROPERTIES	**$0**	**$96**	**$17,492**	**$17,588**	**$17,588**

FY 21 Third Quarter Operating Budget to Actual Comparison

For Capital Improvements

	(12 Months) Budget	(9 Months) Actual	Variance
General Fund			
880 Bonifant	$255,000	$43,899	$211,101
East Deer Park	$195,000	$54,269	$140,731
Kensington Office	$50,000	$34,749	$15,251
Information Technology	$532,440	$336,579	$195,861
Subtotal	**$1,032,440**	**$469,496**	**$562,944**
Opportunity Housing			
Alexander House Dev Corp	$41,570	$21,952	$19,618
Avondale Apartments	$27,900	$1,643	$26,257
The Barclay Dev Corp	$83,900	$87,416	($3,516)
Barclay Affordable	$71,640	$27,446	$44,194
Brookside Glen (The Glen)	$57,000	$70,961	($13,961)
Camp Hill Square	$54,400	$29,113	$25,287
CDBG Units	$500	$3,067	($2,567)
Chelsea Towers	$15,550	$0	$15,550
Cider Mill Apartments	$794,092	$1,557,031	($762,939)
Day Care at 9845 Lost Knife Road	$0	$1,825	($1,825)
Dale Drive	$8,949	$0	$8,949
Diamond Square	$398,180	$56,000	$342,180
Elizabeth House Interim RAD	$10,100	$611	$9,489
Fairfax Court	$56,800	$32,749	$24,051
Georgian Court Affordable	$41,130	$297,858	($256,728)
Glenmont Crossing Dev Corp	$485,500	$70,406	$415,094
Glenmont Westerly Dev Corp	$235,400	$36,531	$198,869
Holiday Park	$27,500	$34,510	($7,010)
Jubilee Hermitage	$500	$6,300	($5,800)
Jubilee Woodedge	$500	$0	$500
Ken Gar Dev Corp	$6,500	$5,025	$1,475
King Farm Village	$1,800	$0	$1,800
Magruder's Discovery Dev Corp	$68,630	$32,848	$35,782
Manchester Manor	$22,332	$19,557	$2,775
Manor at Cloppers Mill	$66,017	$57,215	$8,802
Manor at Colesville	$136,726	$48,210	$88,516
Manor at Fair Hill Farm	$89,579	$92,099	($2,520)
McHome	$100,000	$14,582	$85,418
McKendree	$14,650	$20,752	($6,102)
MetroPointe Dev Corp	$483,760	$92,788	$390,972
The Metropolitan Dev Corp	$556,084	$155,510	$400,574
Metropolitan Affordable	$269,893	$78,355	$191,538
Montgomery Arms Dev Corp	$113,726	$22,593	$91,133
MHLP VII	$22,000	$14,492	$7,508
MHLP VIII	$44,500	$43,935	$565
MHLP IX - Pond Ridge	$69,516	$33,062	$36,454
MHLP IX - Scattered Sites	$41,000	$43,372	($2,372)
MHLP X	$70,036	$31,680	$38,356
MPDU 2007 Phase II	$4,000	$475	$3,525
MPDU I (64)	$57,355	$18,699	$38,656
TPM - MPDU II (59) Dev Corp	$62,024	$51,075	$10,949
Oaks at Four Corners Dev Corp	$306,892	$89,225	$217,667
NCI Units	$2,000	$14,142	($12,142)
NSP Units	$2,000	$116	$1,884
Paddington Square Dev Corp	$108,880	$94,631	$14,249
Paint Branch	$5,900	$0	$5,900
Parkway Woods Dev Corp	$45,040	$8,994	$36,046
Pooks Hill High-Rise Dev Corp	$197,200	$14,319	$182,881
Pooks Hill Mid-Rise	$66,100	$8,583	$57,517
Sandy Spring Meadow Dev Corp	$21,500	$16,794	$4,706
Scattered Site One Dev Corp	$63,000	$186,604	($123,604)
Scattered Site Two Dev Corp	$40,204	$27,446	$12,758
Seneca Ridge Dev Corp	$33,345	$33,738	($393)
Shady Grove Apts	$107,105	$175,719	($68,614)
Sligo MPDU III Dev Corp	$22,492	$14,060	$8,432
Southbridge	$25,904	$6,502	$19,402
State Rental Combined	$177,996	$170,865	$7,131
Stewartown Affordable	$21,994	$13,888	$8,106
Strathmore Court	$258,463	$182,636	$75,827
Strathmore Court Affordable	$91,343	$30,386	$60,957
Towne Centre Place Dev Corp	$27,060	$35,318	($8,258)
TPP LLC Pomander Court	$16,796	$0	$16,796
TPP LLC Timberlawn	$118,943	$65,726	$53,217
VPC One Dev Corp	$103,512	$103,278	$234
VPC Two Dev Corp	$71,860	$111,474	($39,614)
Washington Square Dev Corp	$18,500	$31,071	($12,571)
Westwood Tower	$744,580	$183,989	$560,591
The Willows	$233,621	$40,904	$192,717
Subtotal	**$7,643,469**	**$4,872,151**	**$2,771,318**
TOTAL	**$8,675,909**	**$5,341,647**	**$3,334,262**

M E M O R A N D U M

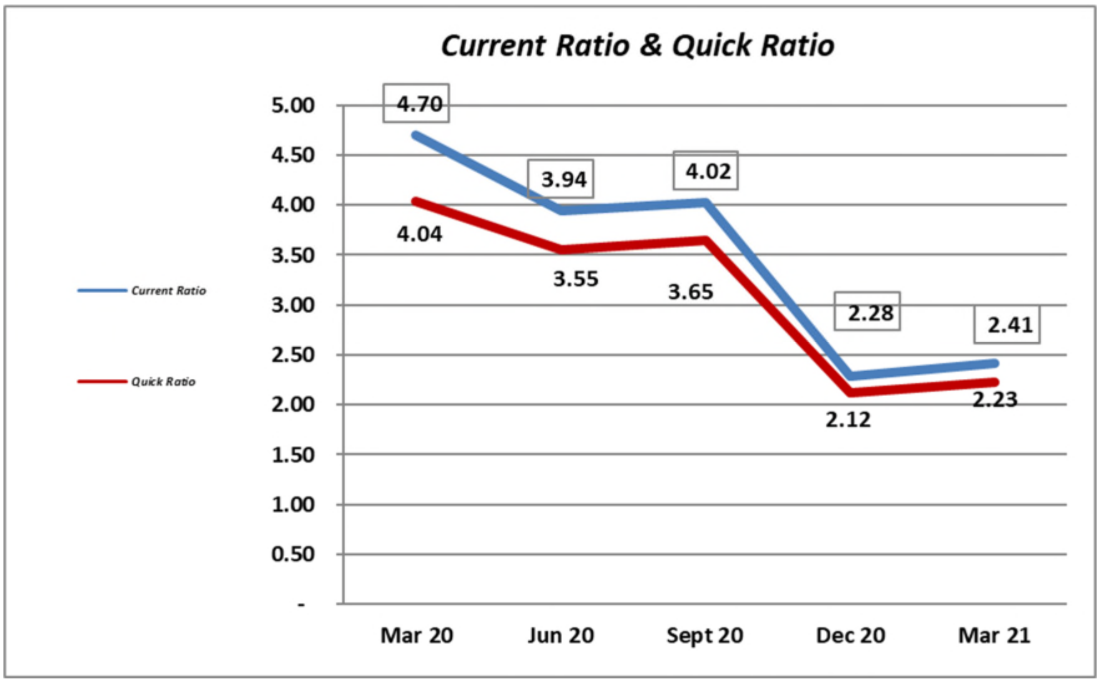
TO:	Budget, Finance and Audit Committee				
VIA:	Stacy L. Spann, Executive Director				
FROM:	Staff:	Cornelia Kent	Division:	Finance	Ext. 9754
		Eugenia Pascual		Finance	Ext. 9478
		Francisco Vega		Finance	Ext. 4873
		Claudia Wilson		Finance	Ext. 9474
		Niketa Patel		Finance	Ext. 9584
		Nilou Razeghi		Finance	Ext. 9494
RE:	Fiscal Year 2021 (FY'21) Third Quarter Un-Audited Financial Statements				
DATE:	May 25, 2021				

Attached, please find the un-audited consolidated financial statements for the Housing Opportunities Commission (HOC) as of the third quarter ended March 31, 2021.

<u>Financial Highlights</u>

- The Commission's net position increased by $6.1 million or about 2.85% attributed primarily to $14.9 capital contributions from the Bauer Park Apartment closing partially offset by a net loss of $8.9 million for the first half of FY'21.

- The Commission's current ratio (ratio of current assets to current liabilities) decrease from 3.94 in June 2020 to 2.41 in March 2021. The quick ratio (the ratio of current assets that can be converted to cash within 90 days to current liabilities) also decreased from 3.55 in June 2020 to 2.23 in March 2021. The decrease is mainly attributed to an increase in current liabilities within the Multifamily Bond Fund due to bond proceeds not yet drawn for HOC Westside Shady Grove LLC (WSSG). If the WSSG transaction is eliminated, the current ratio would be 5.37 and the quick ratio would be 4.97.



- The Commission's total assets excluding the deferred outflows of resources increased by \$193.9 million or 12.78% since June 30, 2020. This is largely due to an increase in restricted cash and cash equivalents, mortgage and construction loans receivable and unrestricted cash and cash equivalents, partially offset by a decrease in restricted long-term investments and net capital assets.

- The increase in restricted cash and cash equivalents is driven by the Multifamily Bond Fund due to the issuance of the Multifamily Housing Development Bonds (MHDB) 2021-A bond related to Westside Shady Grove and MHDB 2020 Series-A for the Bauer Park Apartments acquisition. The increase within the Single Family Bond Fund is due primarily to the funds received from mortgage-backed securities (MBS) closing and mortgage loan payoffs.

- The overall net increase in total mortgage and construction loans receivable is largely due to the MHDB bonds issued for Westside Shady Grove and Bauer Park Apartments. In addition, a Seller Note and Seller Sponsor loan to Bauer Park Apartments LP as well as the transfer of HOC at 11250 Veirs Mills Rd LLC to discrete component unit also contributed to the increase. This increase is partially offset by the repayment of the 900 Thayer LP draws from PNC Bank Real Estate Line of Credit (RELOC) using the Federal Financing Bank ("FFB") loan proceeds and the LIHTC investor equity. Furthermore, the Single Family Bond Fund registered a decrease in single-family mortgage loans receivable due to scheduled amortizations and mortgage loan payoffs.

- The increase in unrestricted cash and cash equivalents is primarily due to the receipt of settlement proceeds from Bauer Park Apartments, COVID-19 subsidy for the Housing Choice Voucher Program as well as the Single Family Bond Fund and the Multifamily Bond Fund operating budget contributions.

- The decrease in restricted long-term investments is primarily due to the Single Family Bond Fund driven by scheduled payments and fifty-three mortgage –backed securities (MBS) sales. The Multifamily Bond Fund also contributed a nominal amount to the decrease.

- The decrease in capital assets is primarily attributed to the transfer of HOC at 11250 Veirs Mill Road LLC and HOC at Westside Shady Grove, LLC to discrete component units along with normal accumulated depreciation of assets. This is partially offset by HOC Fenwick and Second Headquarters predevelopment expenses and renovation expenses at Brooke Park Apartments.

- The Multifamily Bond Fund increased due to the issuance of Multifamily Housing Development Bonds (MHDB) 2020 Series A for $25.7 million for the acquisition and renovation of Bauer Park Apartments, and MHDB 2020 Series B and C bonds for $41.7 million to refund 2007 Series A, 2007 series C-1 and 2010 Series A bonds under the 1996 Indenture, as well as 2002 Series A bonds under the Multiple Purpose Indenture. In addition, MHDB 2021 Series A bond for $99.3 million was also issued for the Westside Shady Grove mortgage and loan closing.

- The Multifamily Bond Fund redeemed and retired bonds for $40.3 million from the Multifamily Housing Development Bonds (1996 Indenture), $15.4 million under Multiple Purpose Bonds (2002 Indenture), $0.5 million under a stand-alone bond (1998 Issue), $0.3 million under the Multifamily Housing Revenue Bonds (1984 Indenture) and $0.2 million from the Multifamily Housing Bonds (2009 Indenture).

- The Single Family Bond Fund redeemed and retired bonds totaling $36.8 million through March 31, 2021. This included $20.0 million from the 1979 Indenture, $7.3 million from the 2009 Indenture, and $9.5 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 increase by 5.00% from $84.2 million in FY’20 to $88.4 million in FY’21.

Overall Agency Net Income (Loss)

HOC has a net income of $6.1 million as of the third quarter-ended March 31, 2021 compared to net loss of $8.5 million for the same period ending March 31, 2020. 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 equity transfers to component units, HOC ended the period with a net loss of $1 million as compared to a net income of $1.9 million for the same period last fiscal year.

		FY 2021		FY 2020
Net Income (Loss)	$	6,130,388	$	(8,466,871)
Less:				
Capital Contributions		(14,826,412)		(1,351,422)
Unrealized (Gain)/Loss on Investments		4,568,273		(6,730,066)
Gain/(Loss) on sale of assets-Non-operating		3,257,324		(8,230,038)
Real estate equity transfer In /(out)		(166,727)		26,736,711
Adjusted Net Income (Loss)	$	(1,037,154)	$	1,958,314
Amount of Increase (Decrease)	$	(2,995,468)		

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.

Major contributors to HOC's adjusted net loss of $1 million as of the third quarter ending March 31, 2021 are as follows:

	FY 2021 (in millions)	FY 2020 (in millions)	Variance
Housing Assistance Payments (HAP) Income	$ 88.4	$ 84.2	$ 4.2
Other Federal/State & County Grants	12.1	13.3	(1.2)
Investment Income	5.5	8.1	(2.6)
Interest on Mortgage and Construction Loans Receivable Income	4.7	5.6	(0.9)
Dwelling Rental Income	74.1	72.2	1.9
HAP Expense	(90.2)	(83.0)	(7.2)
Administration Expense	(31.0)	(35.8)	4.7
Maintenance Expense	(19.3)	(19.3)	(0.0)
Utilities Expense	(5.8)	(5.0)	(0.8)
Fringe Benefits	(8.1)	(9.3)	1.2
Interest Expense	(23.0)	(23.0)	-
Depreciation and amortization	(15.3)	(13.9)	(1.4)
Other Income Net of Other Expenses	7.2	7.7	(0.5)
Adjusted Net Income (Loss)	$ (1.0)	$ 2.0	$ (3.0)

The increase in Housing Assistance Payments (HAP) – revenue is primarily attributed to an increase in the subsidy as a result of Covid-19 in the Main Voucher Program, and the 2017 Mainstream Program and the incoming portables. The increase in HAP - Expense is largely due to new programs, an increase in the number vouchers, and the average cost per unit per voucher due to the effects of COVID-19.

The decrease in the State and County grants is mainly due to the County Main Grant, Capital Improvement Programs (CIP) for Ambassador, 236 properties and scattered site units partially offset by an increase in the COVID 19 rental assistance program administered by HOC.

The decrease in investment income is primarily attributed to the Multifamily Bond Fund due to the negative arbitrage received in FY'20 for the 2019 Series A-1 & A-2 bond issuance for Elizabeth House III LP. No similar income was received in FY'21. The Single Family Bond Fund also contributed, due to a decrease in MBS purchases (mortgage-backed securities) and lower interest rates.

The decrease in interest on mortgage and construction loans receivable is attributable primarily to a decrease in the average mortgage loan receivable balance in the Single Family Bond Fund.

The increase in dwelling rental income is mainly due to the addition of the five former tax credit properties (Strathmore Court LP, Metropolitan of Bethesda LP, Georgian Court Silver Spring LP, Barclay One Associates LP and MV Affordable Housing LP) to the Opportunity Housing Fund in

November of 2019. The increase was offset by bad debt expense in the Opportunity Housing portfolio. Bad debt expense for the nine-month period covered July 1, 2020 to March 31, 2021 amounts to approximately $2.3 million. As of the quarter ending March 31, 2021, the tenant receivable balance has increased almost $2.1 million since June 30, 2020 and now totals $5.3 million. Staff 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 pandemic.

The decrease in administrative expense is largely driven by a decrease in cost of issuance, rental license fees, and temporary agency services within the Opportunity Housing Fund, and operating professional services within the General Fund.

The increase in Utilities is mainly due to electricity, trash collection, and water expenses at the Cider Mill Apartments, Elizabeth House RAD Interim Property, and the five transferred properties.

The decrease in fringe benefits is driven by the timing of the pension expense payment for the Employees Retirement System's (ERS) unfunded actuarial accrued liability (Non-Grip) for FY'21, and a decrease in other post-employment benefits, as a result of an actuarial study, which has HOC fully paid through FY21. The payment of the FY21 ERS annual pension expense contribution is due June 1, 2021.

The decrease in interest expense is due to scheduled and early redemptions in the Single Family Bonds Fund.

The increase in other expense is primarily due to property insurance, security contracts and COVID 19 expenses within the General Fund, Public Fund and various Opportunity Housing properties. The change in the accounting treatment of Alexander House Development Corporation prior period-capitalized construction interest expense also contributed to the increase.

Adjusted Operating Revenue

The revenues from operations, when adjusted for HAP income and unrealized (gain)/loss on investments, decreased by $3.4 million as of the third quarter ended March 31, 2021 when compared to the same period last fiscal year.

		FY 2021		FY 2020
Total Operating Revenue	$	194,363,744	$	204,852,066
Less:				
Housing Assistance Revenue		(88,383,780)		(84,172,453)
Unrealized (Gain)/Loss on Investments		4,568,273		(6,730,066)
Adjusted Total Operating Revenue	$	110,548,237	$	113,949,547
Amount of Increase (Decrease)	$	(3,401,310)		

The decrease in the adjusted total operating revenue is mainly due to a decrease in management fees and other income, investment income, interest on mortgage and construction loans receivable, State and county and other federal grants. This is partially offset by an increase in dwelling rental revenue and HAP administration fees.

Adjusted Operating Expenses

The operating expenses, when adjusted for HAP expense decrease by $1.8 million as of the third quarter ended March 31, 2021 when compared to the same period last fiscal year.

		FY 2021		FY 2020
Total Operating Expenses	$	201,917,911	$	196,459,584
Less:				
Housing Assistance Payments (HAP)		(90,246,854)		(82,988,478)
Adjusted Total Operating Expenses	$	111,671,057	$	113,471,106
Amount of Increase (Decrease)	$	(1,800,049)		

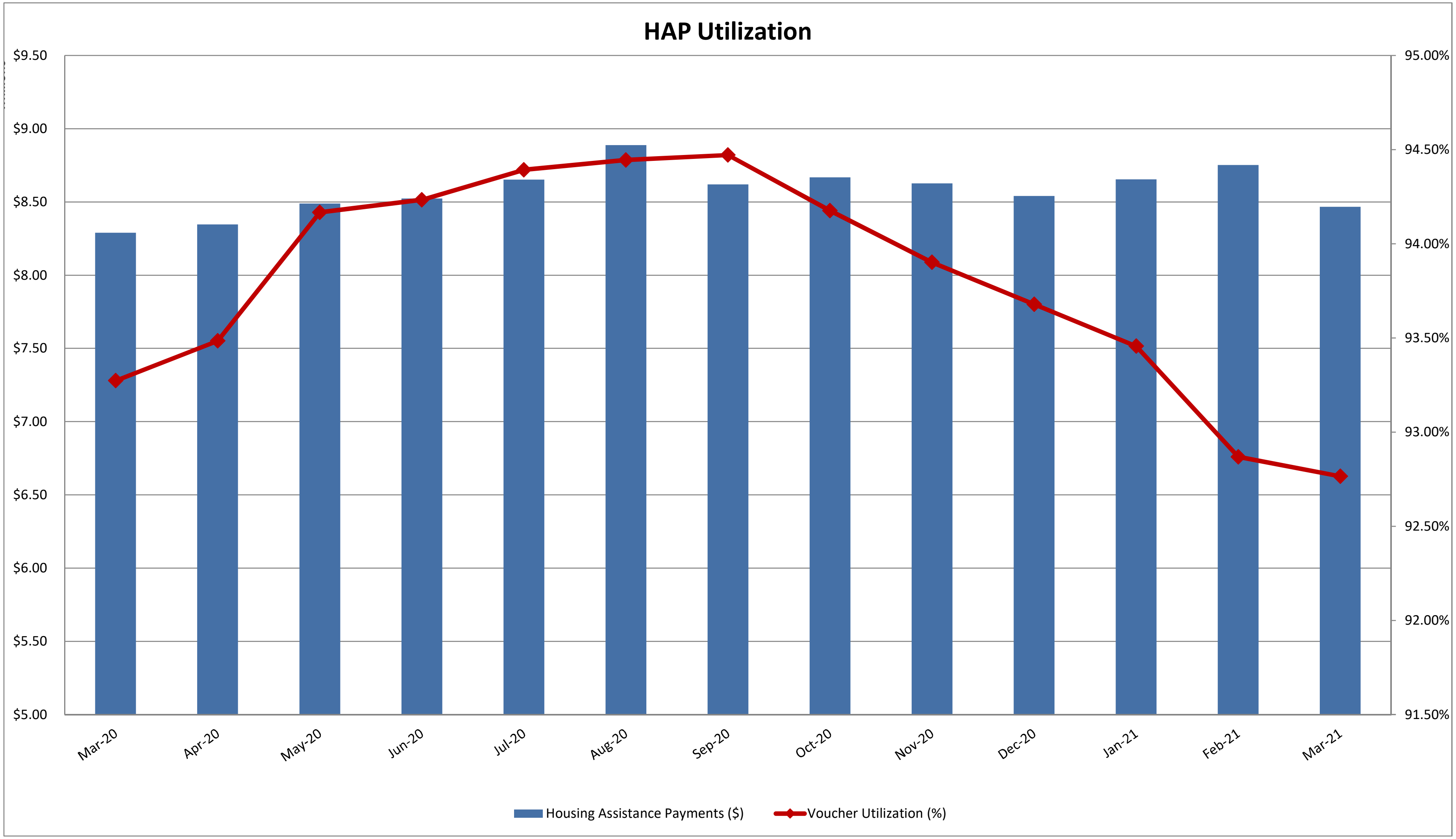
The decrease in administration expense and fringe benefits accounted for the lower operating expense in FY'21. Other expense, depreciation and utilities expense reflected an increase compared to last year.

Non-Operating Revenues (Expenses)

Non-operating expenses net of non-operating revenues totaled $1.3 million as of the third quarter ended March 31, 2021 as compared to net non-operating revenue of $8.5 million for the same period last year. If we back out the gain on sale of the Chevy Chase Lake townhouse units in FY20, and the net loss from the demolition of the Ambassador building in FY21 will result in a net non-operating revenue of $1.9 million in FY21 compared to $295 thousand in FY20. This period favorable variance is primarily attributed to a decrease in non-operating interest expense, an increase in non-operating interest income and other grants, partly reduced by lower investment income.

		FY 2021		FY 2020
Total Non-Operating Revenues (Expenses)	$	(1,308,584)	$	8,525,936
Less:				
Gain/(Loss) on sale of assets-Non-operating		3,257,324		(8,230,038)
Adjusted Total Non-Operating Revenues (Expenses)	$	1,948,740	$	295,898
Amount of Increase (Decrease)	$	1,652,842		

	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
Housing Assistance Payments ($)	$8,289,268	$8,346,604	$8,489,206	$8,522,788	$8,652,893	$8,887,455	$8,619,755	$8,668,612	$8,626,193	$8,541,232	$8,653,539	$8,752,416	$8,467,263
Voucher Utilization (%)	93.27%	93.48%	94.17%	94.23%	94.39%	94.45%	94.47%	94.18%	93.90%	93.68%	93.46%	92.87%	92.76%
UNITS under LEASE	7,099	7,116	7,168	7,174	7,188	7,192	7,194	7,196	7,175	7,158	7,141	7,097	7,103
HUD Authorized BASE LINE	7,611	7,612	7,612	7,613	7,615	7,615	7,615	7,641	7,641	7,641	7,641	7,642	7,657



Housing Opportunities Commission of Montgomery County, Maryland
Combined Statements of Net Position
As of March 31, 2021 and June 30, 2020

Assets and Deferred Outflows	Note Num.	FY21	FY20	Dollar Variance	Percentage Variance
Current Assets					
Unrestricted:					
Cash and cash equivalents	-1.a.-	$ 96,335,710	$ 83,502,630	$ 12,833,080	15.37%
Advances to component units	-1.b.-	6,971,037	8,232,446	(1,261,409)	(15.32%)
Accounts receivable and other assets	-1.c.-	23,996,530	19,637,938	4,358,592	22.19%
Accrued interest receivable	-1.d.-	11,480,922	10,671,846	809,075	7.58%
Mortgage and construction loans receivable - current	-1.e.-	7,505,294	7,526,532	(21,238)	(0.28%)
Total unrestricted current assets		146,289,493	129,571,392	16,718,101	12.90%
Restricted cash and cash equivalents and investments:					
Restricted cash and cash equivalents	-1.f.-	229,758,527	108,382,929	121,375,598	111.99%
Restricted short-term investments	-1.g.-	4,964,309	9,892,645	(4,928,336)	(49.82%)
Cash for current bonds payable	-1.h.-	25,145,211	34,305,709	(9,160,497)	(26.70%)
Customer deposits		4,658,222	4,436,092	222,130	5.01%
Total restricted cash and cash equivalents and investments		264,526,270	157,017,375	107,508,895	68.47%
Total current assets		410,815,762	286,588,767	124,226,996	43.35%
Noncurrent Assets					
Restricted long-term investments	-1.i.-	172,972,390	200,684,143	(27,711,753)	(13.81%)
Mortgage and construction loans receivable	-1.e.-	502,736,916	382,084,627	120,652,289	31.58%
Capital assets, net of depreciation	-1.j.-	606,581,342	634,700,195	(28,118,852)	(4.43%)
Investment in Real Estate Partnerships	-1.k.-	18,195,233	13,320,803	4,874,429	36.59%
Total noncurrent assets		1,300,485,881	1,230,789,768	69,696,113	5.66%
Total Assets		1,711,301,643	1,517,378,534	193,923,109	12.78%
Deferred Outflows of Resources					
Derivatives	-1.l.-	20,999,934	22,534,773	(1,534,839)	(6.81%)
Fair value of hedging derivatives	-1.l.-	8,331,659	15,099,583	(6,767,924)	(44.82%)
Employer -Related Pension Activities	-1.l.-	22,499,379	22,499,379	-	0.00%
Employer -Related OPEB Activities	-1.l.-	9,746,187	9,746,187	-	0.00%
Total Assets and Deferred Outflows		$ 1,772,878,802	$ 1,587,258,457	$ 185,620,346	11.69%

Liabilities and Net Position	Note Num.	FY21	FY20	Dollar Variance	Percentage Variance
Current Liabilities					
Accounts payable and accrued liabilities	-1.m.-	$ 125,950,713	$ 20,266,171	$ 105,684,543	521.48%
Accrued interest payable	-1.n.-	10,552,495	9,453,773	1,098,722	11.62%
Loans payable to Montgomery County - current		445,414	378,006	67,409	17.83%
Mortgage notes and loans payable - current	-1.o.-	5,942,342	5,548,014	394,328	7.11%
Fair Value of Hedging Derivatives		-	-	-	0.00%
Total current unrestricted liabilities		142,890,965	35,645,964	107,245,001	300.86%
Current Liabilities payable from restricted assets:					
Customer deposit payable		3,785,558	3,606,252	179,307	4.97%
Accrued interest payable	-1.p.-	3,969,654	8,970,621	(5,000,967)	(55.75%)
Bonds payable - current	-1.q.-	19,939,148	25,335,088	(5,395,940)	(21.30%)
Total current liabilities payable from restricted assets		27,694,361	37,911,961	(10,217,600)	(26.95%)
Total current liabilities		170,585,326	73,557,925	97,027,401	131.91%
Noncurrent Liabilities					
Bonds payable	-1.q.-	593,597,676	515,028,476	78,569,200	15.26%
Mortgage notes and loans payable	-1.o.-	549,777,980	546,675,559	3,102,422	0.57%
Loans payable to Montgomery County		104,212,811	104,827,616	(614,805)	(0.59%)
Deferred revenue	-1.r.-	29,729,266	21,944,106	7,785,159	35.48%
Escrow and other deposits		16,829,291	16,440,785	388,506	2.36%
Net Pension liability		6,318,486	6,318,486	-	0.00%
Net OPEB liability		19,797,920	19,797,919	1.00	0.00%
Derivative investment - hedging		8,331,657	15,099,583	(6,767,926)	(44.82%)
Total noncurrent liabilities		1,328,595,087	1,246,132,530	82,462,557	6.62%
Total Liabilities		1,499,180,412	1,319,690,455	179,489,958	13.60%
Deferred Inflows of Resources					
Unamortized Pension Net Difference	-1.l.-	33,218,096	33,218,096	0	0.00%
Deferred Inflows - OPEB	-1.l.-	19,459,021	19,459,021	-	0.00%
Total Deferred Inflows of Resources		52,677,117	52,677,117	0	0.00%
Net Position					
Net investment in capital assets		(118,078,858)	(108,608,231)	(9,470,627)	8.72%
Restricted		125,086,875	125,209,337	(122,462)	(0.10%)
Unrestricted		214,013,255	198,289,779	15,723,476	7.93%
Total Net Position		221,021,273	214,890,885	6,130,388	2.85%
Total Liabilities and Net Position		$ 1,772,878,802	$ 1,587,258,457	$ 185,620,346	11.69%

Housing Opportunities Commission of Montgomery County, Maryland

Combined Statements of Revenues and Expenses

As of March 31, 2021 and March 31, 2020

	Note Num.	FY21	FY20	Dollar Variance	Percentage Variance
Operating Revenues					
Dwelling rental	-1.aa.-	$ 74,072,381	$ 72,208,160	$ 1,864,221	2.58%
Investment income	-1.bb.-	5,477,795	8,089,556	(2,611,760)	(32.29%)
Unrealized gains (losses) on investment	-1.cc.-	(4,568,273)	6,730,066	(11,298,339)	(167.88%)
Interest on mortgage and construction loans receivable	-1.dd.-	4,719,763	5,597,375	(877,612)	(15.68%)
Management fees and other income	-1.ee.-	7,303,094	8,655,996	(1,352,902)	(15.63%)
U.S. Department of Housing and Urban Development grants:					
Housing Assistance Payments (HAP)	-1.ff.-	88,383,780	84,172,453	4,211,327	5.00%
HAP administrative fees		6,904,159	6,110,382	793,777	12.99%
Other grants		3,925,537	4,347,027	(421,491)	(9.70%)
State and County grants	-1.gg.-	8,145,507	8,941,051	(795,544)	(8.90%)
Total operating revenues		**194,363,744**	**204,852,066**	**(10,488,322)**	(5.12%)
Operating Expenses					
Housing Assistance Payments (HAP)	-1.ff.-	90,246,854	82,988,478	(7,258,376)	(8.75%)
Administration	-1.hh.-	31,033,218	35,683,659	4,650,441	13.03%
Maintenance		19,300,972	19,259,247	(41,725)	(0.22%)
Depreciation and amortization		15,348,383	13,920,093	(1,428,290)	(10.26%)
Utilities	-1.ii.-	5,847,349	4,950,002	(897,347)	(18.13%)
Fringe benefits	-1.jj.-	8,131,957	9,314,127	1,182,170	12.69%
Interest expense	-1.kk.-	23,029,567	22,951,495	(78,072)	(0.34%)
Other expense	-1.ll.-	8,979,610	7,392,483	(1,587,127)	(21.47%)
Total operating expenses		**201,917,911**	**196,459,584**	**(5,458,327)**	(2.78%)
Operating income (loss)		**(7,554,167)**	**8,392,481**	**(15,946,648)**	(190.01%)
Nonoperating Revenues (Expenses)					
Investment Income		642,308	1,266,178	(623,870)	(49.27%)
Interest on mortgage and construction loans receivable		2,723,852	2,504,597	219,256	8.75%
Interest expense		(1,637,915)	(3,579,299)	1,941,384	(54.24%)
Other grants		220,495	104,423	116,072	111.16%
Gain/(Loss) on Sale of Assets		(3,257,324)	8,230,038	(11,487,362)	(139.58%)
Total nonoperating revenues (expense)		**(1,308,584)**	**8,525,936**	**(9,834,520)**	(115.35%)
Income (loss) before capital contributions		**(8,862,751)**	**16,918,418**	(25,781,169)	(152.39%)
Transfer from Discrete Component Units		166,727	(26,736,711)	26,903,437	(100.62%)
Capital contributions		14,826,412	1,351,422	13,474,990	997.10%
Net income (loss)		**6,130,388**	**(8,466,871)**	**14,597,259**	(172.40%)

Housing Opportunities Commission of Montgomery County

Combined Statement of Net Position
As of March 31, 2021

Assets	General Fund	Opportunity Housing Fund	Public Fund	Single Family Fund	Multi Family Fund	Elimination	FY 2021 Total Funds with Elimination	FY 2020 Total Funds with Elimination
Current Assets								
Unrestricted:								
Cash and Cash Equivalents	$ 32,709,915	$ 53,605,070	$ 8,220,471	$ 127,083	$ 1,673,172	$ -	$ 96,335,710	$ 83,502,630
Interfund Receivable	-	18,573,496	1,124,934	-	221,453	(19,919,883)	-	-
Advances to Component Units	6,922,160	48,876	-	-	-	-	6,971,037	8,232,446
Accounts Receivable and Other Assets	5,443,209	11,653,907	6,501,415	375,878	22,121	-	23,996,530	19,637,938
Accrued Interest Receivable	6,453,671	3,896,952	-	705,388	1,402,698	(977,787)	11,480,922	10,671,846
Mortgage & Construction Loans Receivable, Current	4,176,538	82,170	-	3,772,842	9,793,404	(10,319,659)	7,505,294	7,526,532
Total Unrestricted Current Assets	**55,705,494**	**87,860,470**	**15,846,820**	**4,981,190**	**13,112,848**	**(31,217,330)**	**146,289,493**	**129,571,392**
Restricted Cash and Cash Equivalents nd Investments:								
Restricted Cash and Cash Equivalents	2,276,079	47,808,595	5,009,718	57,233,631	117,430,504	-	229,758,527	108,382,929
Restricted Short-Term Investments	-	-	-	4,964,309	-	-	4,964,309	9,892,645
Restricted for Current Bonds Payable	-	-	-	11,702,819	13,442,393	-	25,145,211	34,305,709
Restricted for Customer Deposits	-	3,219,060	1,439,162	-	-	-	4,658,222	4,436,092
Total Restricted Cash and Cash Equivalents for Investments	**2,276,079**	**51,027,655**	**6,448,879**	**73,900,759**	**130,872,897**	**-**	**264,526,270**	**157,017,375**
Total Current Assets	**57,981,573**	**138,888,126**	**22,295,699**	**78,881,950**	**143,985,745**	**(31,217,330)**	**410,815,762**	**286,588,767**
Noncurrent assets:								
Restricted Long - Term Investments	-	-	-	108,222,483	64,749,907	-	172,972,390	200,684,143
Mortgage & Construction Loans Receivable, Net of Current Portion	463,940,349	117,052,607	2,005,615	46,884,309	363,278,272	(490,424,236)	502,736,916	382,084,627
Capital Assets, Net of Depreciation	10,627,552	587,312,742	8,641,048	-	-	-	606,581,342	634,700,195
Investment in Component Units	2,073,221	16,122,012	-	-	-	-	18,195,233	13,320,803
Swap Asset	-	-	-	-	-	-	-	-
Total Noncurrent Assets	**476,641,122**	**720,487,361**	**10,646,663**	**155,106,792**	**428,028,179**	**(490,424,236)**	**1,300,485,881**	**1,230,789,768**
Deferred Outflows of Resources								
Derivatives	-	20,999,934	-	-	-	-	20,999,934	22,534,773
Fair Value of Hedging Derivatives	-	2,479,538	-	582,719	5,269,402	-	8,331,659	15,099,583
Employer -Related Pension Activities	11,530,901	2,437,452	8,531,026	-	-	-	22,499,379	22,499,379
Employer -Related OPEB Activities	6,740,338	609,588	2,396,261	-	-	-	9,746,187	9,746,187
Total Assets and Deferred Outflows	**552,893,933**	**885,901,999**	**43,869,649**	**234,571,461**	**577,283,326**	**(521,641,565)**	**1,772,878,802**	**1,587,258,457**

Housing Opportunities Commission of Montgomery County

Combined Statement of Net Position

As of March 31, 2021

	General Fund	Opportunity Housing Fund	Public Fund	Single Family Fund	Multi Family Fund	Elimination	FY 2021 Total Funds with Elimination	FY 2020 Total Funds with Elimination
Liabilities and Net Position								
Liabilities								
Current Liabilities								
Accounts Payable and Accrued Liabilities	6,871,053	12,246,027	1,327,375	603,380	104,902,878	-	125,950,713	20,266,171
Interfund Payable	19,739,337	-	-	180,546	-	(19,919,883)	-	-
Accrued Interest Payable	-	11,530,283	-	-	-	(977,787)	10,552,495	9,453,773
.Loans Payable to Montgomery County - Current	-	445,414	-	-	-	-	445,414	378,006
.Mortgage Notes and Loans Payable-Current	4,059,718	12,202,283	-	-	-	(10,319,659)	5,942,342	5,548,014
.Derivative Investment - Hedging	-	-	-	-	-	-	-	-
Total Current Unrestricted Liabilities	**30,670,108**	**36,424,007**	**1,327,375**	**783,927**	**104,902,878**	**(31,217,330)**	**142,890,965**	**35,645,964**
Current Liabilities Payable from Restricted Assets:								
Customer Deposits Payable	-	2,757,618	1,027,940	-	-	-	3,785,558	3,606,252
.Accrued Interest Payable	-	-	-	1,236,410	2,733,244	-	3,969,654	8,970,621
Bonds Payable-Current	-	-	-	9,230,000	10,709,148	-	19,939,148	25,335,088
Total Current Liabilities Payable from Restricted Assets	**-**	**2,757,618**	**1,027,940**	**10,466,410**	**13,442,393**	**-**	**27,694,361**	**37,911,961**
Total Current Liabilities	**30,670,108**	**39,181,625**	**2,355,315**	**11,250,337**	**118,345,270**	**(31,217,330)**	**170,585,326**	**73,557,925**
Non-Current Liabilities								
Bonds Payable	-	-	-	175,630,050	417,967,625	-	593,597,676	515,028,476
Mortgage Notes and Loans payable	396,231,300	633,970,916	-	10,000,000	-	(490,424,236)	549,777,980	546,675,559
Loans payable to Montgomery County	26,171,224	78,041,587	-	-	-	-	104,212,811	104,827,616
Unearned Revenue	16,012,691	7,484,891	6,231,683	-	-	-	29,729,266	21,944,106
Escrow and Other Deposits	14,657,898	-	-	-	2,171,393	-	16,829,291	16,440,785
Net Pension liability	3,102,700	790,734	2,425,052	-	-	-	6,318,486	6,318,486
Net OPEB liability	9,189,871	1,171,713	9,436,335	-	-	-	19,797,920	19,797,919
Derivative Investment - Hedging	-	2,479,536	-	582,719	5,269,402	-	8,331,657	15,099,583
Total Noncurrent Liabilities	**465,365,685**	**723,939,377**	**18,093,070**	**186,212,769**	**425,408,420**	**(490,424,236)**	**1,328,595,087**	**1,246,132,530**
Total Liabilities	**496,035,793**	**763,121,003**	**20,448,386**	**197,463,106**	**543,753,690**	**(521,641,565)**	**1,499,180,412**	**1,319,690,455**
Deferred Inflows of Resources								
.Fair Value of Hedging Derivatives	-	-	-	-	-	-	-	-
Unamortized Pension Net Difference	21,064,475	2,564,037	9,589,584	-	-	-	33,218,096	33,218,096
Deferred Inflows - OPEB	11,383,497	1,530,431	6,545,093	-	-	-	19,459,020	19,459,021
Total Deferred Inflows of Resources	32,447,972	4,094,468	16,134,677	-	-	-	52,677,117	52,677,117
Net Position								
Net investment in Capital assets	10,627,552	(137,347,458)	8,641,048	-	-	-	(118,078,858)	(108,608,231)
Amounts Restricted for:								
Debt Service	-	47,808,595	-	36,981,272	31,856,464	-	116,646,330	119,132,001
Customer deposits and other	-	461,442	5,420,939	-	-	-	5,882,381	5,097,932
Closing cost assistance program	2,558,164	-	-	-	-	-	2,558,164	979,404
Unrestricted (deficit)	11,224,452	207,763,949	(6,775,401)	127,083	1,673,172	-	214,013,255	198,289,779
Total net position	**24,410,168**	**118,686,528**	**7,286,586**	**37,108,355**	**33,529,636**	**-**	**221,021,273**	**214,890,885**
Total Liabilities, Deferred Inflows and Net Position	**552,893,933**	**885,901,999**	**43,869,649**	**234,571,461**	**577,283,326**	**(521,641,565)**	**1,772,878,802**	**1,587,258,457**

Housing Opportunities Commission of Montgomery County, Maryland

Combining Statement of Revenue and Expenses

For the Nine Months Ended March 31, 2021 (with comparative totals for the Nine Months Ended March 31, 2020)

	General Fund	Opportunity Housing Fund	Public Fund	Single Family Fund	Multi Family Fund	Elimination	FY 2021 Total Funds with Elimination	FY 2020 Total Funds with Elimination
Operating Revenues								
Dwelling Rental	$ 120	$ 73,502,605	$ 569,656	$ -	$ -	$ -	$ 74,072,381	$ 72,208,160
Investment Income	-	-	-	3,861,118	1,616,678	-	5,477,795	8,089,556
Unrealized Gains (Losses) on Investments	-	-	-	(3,962,475)	(605,798)	-	(4,568,273)	6,730,066
Interest on Mortgage & Construction Loans Receivable	-	-	-	1,687,187	9,326,965	(6,294,389)	4,719,763	5,597,375
Management Fees and Other Income	12,266,725	2,855,764	70,607	-	-	(7,890,002)	7,303,094	8,655,996
U.S. Department of Housing and Urban Developement Grants:								
Housing Assistance Payments (HAP)	-	-	88,383,780	-	-	-	88,383,780	84,172,453
HAP Administrative Fees	-	-	6,904,159	-	-	-	6,904,159	6,110,382
Other Grants	-	-	3,925,537	-	-		3,925,537	4,347,027
State and County Grants	-	-	8,145,507	-	-	-	8,145,507	8,941,051
Total Operating Revenues	**12,266,845**	**76,358,368**	**107,999,247**	**1,585,829**	**10,337,845**	**(14,184,391)**	**194,363,744**	**204,852,066**
Operating Expenses								
Housing Assistance Payments	-	-	90,246,854	-	-	-	90,246,854	82,988,478
Administration	10,107,169	11,268,616	12,462,562	782,464	1,516,928	(5,104,521)	31,033,218	35,683,659
Maintenance	2,199,494	17,088,447	13,032	-	-	-	19,300,972	19,259,247
Depreciation and amortization	368,481	14,759,665	220,237	-	-	-	15,348,383	13,920,093
Utilities	131,506	5,489,587	226,256	-	-	-	5,847,349	4,950,002
Fringe Benefits	3,491,355	2,531,660	1,876,439	85,691	146,812	-	8,131,957	9,314,127
Interest expense	-	17,703,631	-	3,115,126	8,505,199	(6,294,389)	23,029,567	22,951,495
Other Expense	2,258,030	8,065,825	1,257,768	183,468	-	(2,785,481)	8,979,610	7,392,483
Total operating expenses	**18,556,035**	**76,907,431**	**106,303,148**	**4,166,749**	**10,168,939**	**(14,184,391)**	**201,917,911**	**196,459,584**
Operating Income (loss)	**(6,289,189)**	**(549,063)**	**1,696,099**	**(2,580,919)**	**168,906**	**-**	**(7,554,167)**	**8,392,482**
Nonoperating Revenues (Expenses)								
.Investment Income	364,086	273,934	4,288	-	-		642,308	1,266,178
Interest on Mortgage and Construction Loans Receivable	8,068,865	557,311	-	-	-	(5,902,325)	2,723,852	2,504,597
.Interest Expense	(6,907,953)	(632,286.85)	-	-	-	5,902,325	(1,637,915)	(3,579,299)
Other Grants	-	220,495	-	-	-	-	220,495	104,423
Gain/(Loss) on Sale of Assets	-	(3,257,324)	-	-	-	-	(3,257,324)	8,230,038
Total nonoperating revenues (expenses)	**1,524,998**	**(2,837,870)**	**4,288**	**-**	**-**	**-**	**(1,308,584)**	**8,525,936**
Income (loss) before capital contributions and transfers	**(4,764,191)**	**(3,386,933)**	**1,700,386**	**(2,580,919)**	**168,906**	**-**	**(8,862,751)**	**16,918,419**
Transfer To/(From) Discrete Component Units	-	166,727	-	-	-	-	166,727	(26,736,711)
Capital contributions/(distributions)	-	15,274,182	-	-	(447,770)	-	14,826,412	1,351,422
Operating transfers in (out)	(712,714)	712,714	-	-	-	-	-	-
Change in Net Position	**$ (5,476,905)**	**12,766,690**	**$ 1,700,386**	**$ (2,580,919)**	**$ (278,864)**	**$ -**	**$ 6,130,388**	**$ (8,466,870)**

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

		FY'21	FY'20	Dollar Variance	Percentage Variance
-1.a. -	Cash and cash equivalents	96,335,710	83,502,630	12,833,080	15.37%

The increase in cash and cash equivalents is attributed primarily to the receipt of Bauer Park Apartments settlement proceeds, COVID-19 subsidy for Housing Choice Voucher Program (HCV) as well as the Multifamily Bond Fund and the Single Family Bond Fund operating budget contributions.

		FY'21	FY'20	Dollar Variance	Percentage Variance
- 1.b. -	Advances to Component Units	6,971,037	8,232,446	(1,261,409)	(15.32%)

The decrease in advances to component unit is mainly due to the transfer of HOC Westside Shady Grove LLC and HOC at 11250 Veirs Mill to discrete component units in FY2021. This decrease is partially reduced by an increase in advances to Arcola Towers LP, Waverly House LP and CCL Multifamily LLC (The Lindley).

		FY'21	FY'20	Dollar Variance	Percentage Variance
- 1.c. -	Accounts receivable and other assets	23,996,530	19,637,938	4,358,592	22.19%

The increase in accounts receivable and other assets is mainly due to a deposit made for the purchase and sale of the Bradley Boulevard properties as well as an increase in prepaid insurance and other miscellaneous receivables in both the General Fund and the Opportunity Housing Fund. The Public Fund also contributed to the increase due to an increase in receivables from Incoming Portabilities and outstanding invoice for COVID-19 rental assistance expense reimbursement from Montgomery County.

		FY'21	FY'20	Dollar Variance	Percentage Variance
- 1.d. -	Accrued Interest receivable	11,480,922	10,671,846	809,075	7.58%

The increase in accrued interest receivable is largely due to accrued interest on the seller notes from Arcola House RAD LP, Tanglewood/Sligo LP, Alexander House LP and Greenhills Apartments LP.

		FY'21	FY'20	Dollar Variance	Percentage Variance
- 1.e. -	Mort. & const. loans receivable – current	7,505,294	7,526,532	(21,238)	(0.28%)
- 1.e. -	Mort. & const. loans receivable – non-current	502,736,916	382,084,627	120,652,289	31.58%
	Total	510,242,210	389,611,159	120,631,051	30.96%

The overall net increase in total mortgage and construction loans receivable is largely due to $99.3 million 2021-A bond issuance related to the closing of the Westside Shady Grove, $25.7 million 2020-A bond issued for Bauer Park Apartments, and $7.1 million, Seller Note and Seller Sponsor loan to Bauer Park Apartments LP. The transfer of HOC at 11250 Veirs Mills Rd LLC to discrete component unit also contributed to the increase. This increase is partially offset by the repayment of the 900 Thayer LP draws from PNC Bank Real Estate Line of Credit (RELOC) using the Federal Financing Bank ("FFB") loan proceeds and the LIHTC investor equity. Furthermore, the Single Family Bond Fund also registered a decrease in single-family mortgage loans receivable due to scheduled amortizations and mortgage loan payoffs.

		FY'21	FY'20	Dollar Variance	Percentage Variance
- 1.f. -	**Restricted cash and cash equivalents**	**229,758,527**	**108,382,929**	**121,375,598**	**111.99%**

The increase in restricted cash and cash equivalents is driven the Multifamily Bond Fund due to the issuance of the $99.3 million 2021-A bond related to Westside Shady Grove and the issuance of 2020 Series-A related to Bauer Park Apartments acquisition. The increase within the Single Family Bond Fund is due primarily to the funds received from mortgage-backed securities (MBS) closing and mortgage loan payoffs. 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**	**4,964,309**	**9,892,645**	**(4,928,336)**	**(49.82%)**

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

- 1.h. -	**Cash for current bonds payable**	**25,145,211**	**34,305,709**	**(9,160,497)**	**(26.70%)**

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

-1.i.-	**Restricted long-term investments**	**172,972,390**	**200,684,143**	**(27,711,753)**	**(13.81%)**

The decrease in restricted long-term investments is primarily due to the Single Family Bond Fund driven by scheduled payments and fifty-three mortgage –backed securities (MBS) closings. The Multifamily Bond Fund also contributed a nominal amount to the decrease.

-1.j.-	**Capital assets, net of depreciation**	**606,581,342**	**634,700,195**	**(28,118,852)**	**(4.43%)**

The decrease in capital assets is primarily attributed to the transfer of HOC at 11250 Veirs Mill LLC and HOC at Westside Shady Grove, LLC to discrete component units along with normal accumulated depreciation of assets partially offset by predevelopment expenses at HOC Fenwick and Second Headquarters and renovation expenses at Brooke Park Apartments.

- 1.k. -	**Investment in Real Estate Partnership**	**18,195,233**	**13,320,803**	**4,874,429**	**36.59%**

The increase in Investment in real estate partnership is primarily due to equity contribution of HOC MM at Westside Shady Grove LLC to HOC, managing member and co-owner HOC at Westside Shady Grove LLC.

		FY'21	FY'20	Dollar Variance	Percentage Variance
-1.l.-	**Deferred outflows – Derivatives**	20,999,934	22,534,773	(1,534,839)	(6.81%)
-1.l.-	**Deferred outflows – hedging derivatives**	8,331,659	15,099,583	(6,767,924)	(44.82%)
-1.l.-	**Deferred outflows – Employer pension**	22,499,379	22,499,379	-	0.00%
-1.l.-	**Deferred outflows – OPEB contribution**	9,746,187	9,746,187	-	0.00%
	Total	61,577,159	69,879,922	(8,302,763)	(11.88%)

As of March 31, 2021, 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. HOC's interest rate swaps consists of $582,719 in the Single Family Bond Fund, $5,269,402 in the Multifamily Bond Fund and $2,479,538 in the Opportunity Housing Fund ($563,729 Upton II Construction Loan, $1,915,809 Elizabeth House III).

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 reported as deferred Outflows of resources as of March 31, 2021.

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.m. -	**Accounts payable and accrued liabilities**	125,950,713	20,266,171	105,684,543	521.48%

The increase in accounts payable and accrued liabilities is mainly due to an increase in the Multi Family Bond Fund due to bond proceeds not yet drawn for Westside Shady Grove and Bauer Park.

-1.n. -	**Accrued interest payable – unrestricted**	10,552,495	9,453,773	1,098,722	11.62%

The increase in accrued interest payable - restricted is largely attributable to MV Gateway LLC (Cider Mill), The Manor at Cloppers Mill LLC, The Manor at Colesville LLC and The Manor at Fair Hill Farm LLC.

- 1.o. -	**Mortgage notes and loans payable-current**	5,942,342	5,548,014	394,328	7.11%
- 1.o. -	**Mortgage notes and loans payable-noncurrent**	549,777,980	546,675,559	3,102,421	0.57%
	Totals	555,720,322	552,223,573	3,496,749	0.63%

The increase in total mortgage notes and loans payable is largely due to the transfer of HOC AT 11250 Veirs Mill to discrete component units which is no longer eliminated, the repayment of loans from the PNC Bank RELOC for MPDU 64, 900 Thayer LP using a new FFB loan for 900 Thayer LP, and by the Single Family Bond Fund $10M PNC Bank LOC loan.

-1.p. -	**Accrued interest payable – restricted**	3,969,654	8,970,621	(5,000,967)	(55.75%)

The decrease in accrued interest payable - restricted is mainly due to the Multifamily and Single Family Bond Fund and are due to scheduled and early bond redemptions as well the normal bond amortization.

		FY'21	FY'20	Dollar Variance	Percentage Variance
1.aa.	**Dwelling Rental**	**74,072,381**	**72,208,160**	**1,864,221**	**2.58%**

The increase in dwelling rental income is mainly due to the addition of the five former tax credit properties (Strathmore Court LP, Metropolitan of Bethesda LP, Georgian Court Silver Spring LP, Barclay One Associates LP and MV Affordable Housing LP) to the Opportunity Housing Fund in November of 2019. The increase was offset. by Bad Debt expense in the Opportunity Housing portfolio. Bad debt expense for the nine-month period July 2020 to March 2021 amounts to about $2.3 million. As of the quarter ended March 31, 2021 the tenant receivable balance has increased almost $2.1 million from June 30, 2020, totaling $5,478,827. 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 pandemic.

-1.bb. -	**Investment Income**	**5,477,795**	**8,089,556**	**(2,611,760)**	**(32.29%)**

The decrease in investment income is primarily attributed to the Multifamily Bond Fund due to the negative arbitrage received in FY'20 for the 2019 Series A-1 & A-2 bond issuance for Elizabeth House III LP. No similar income was received in FY'21. The Single Family Bond Fund also contributed due to a decrease in MBS purchases (mortgage-backed securities) and lower interest rates.

-1.cc. -	**Unrealized gains (losses) on investment**	**(4,568,273)**	**6,730,066**	**(11,298,339)**	**(167.88%)**

Unrealized gains (losses) on investment reflect the hypothetical gains and/or losses on investments HOC would have received if those investments had been sold on the last day of the reporting period. If planned properly and held to maturity, no recognized gain or loss should result from the investments.

-1.dd. -	**Interest on mort. and const. loans receivable**	**4,719,763**	**5,597,375**	**(877,612)**	**(15.68%)**

The decrease in interest on mortgage and construction loans receivable is mainly due to a decrease in the average mortgage loan receivable balance in both the Single Family Bond Fund and the Multifamily Bond Fund.

-1.ee. -	**Management fees and other income**	**7,303,094**	**8,655,996**	**(1,352,902)**	**(15.63%)**

The decrease in management fees and other income is mainly due to a decrease in development fee and commitment fee income within the Opportunity Housing Fund and General Fund.

- 1.ff. -	**Housing Assistance Payments – Revenue**	**88,383,780**	**84,172,453**	**4,211,327**	**5.00%**
- 1.ff. -	**Housing Assistance Payments – Expense**	**90,246,854**	**82,988,478**	**7,258,376**	**8.75%**

The increase in Housing Assistance Payments (HAP) – revenue is primarily attributed to an increase to the subsidy as a result of Covid-19 in the Main Voucher Program, and the 2017 Mainstream Program and the incoming portables. The increase in HAP - Expense is largely due to the COVID-19, and new programs, an increase in the number vouchers and the average cost per unit per voucher.

		FY'21	FY'20	Dollar Variance	Percentage Variance
-1.gg. -	**State and County Grants**	**8,145,507**	**8,941,051**	**(795,544)**	**(8.90%)**

The decrease in the State and County grants is mainly due to County Main Grant, Capital Improvement Programs (CIP) for Ambassador, 236 properties and scattered site units, partly offset by new COVID 19 CDBG rental assistance program.

-1.hh. -	**Administration**	**31,033,218**	**35,683,659**	**(4,650,441)**	**(13.03%)**

The decrease in administrative expense is mainly driven by a decrease in cost of issuance, rental license fees, and temporary agency services within the Opportunity Housing Fund, operating professional services within the General Fund.

-1.ii.-	**Utilities**	**5,847,349**	**4,950,002**	**897,347**	**18.13%**

The increase in Utilities is largely driven by electricity, trash collection, and water expenses at the Cider Mill Apartments, Elizabeth House RAD Interim Property, and the five transferred properties.

-1.jj.-	**Fringe benefits**	**8,131,957**	**9,314,127**	**(1,182,170)**	**(12.69%)**

The decrease in fringe benefits is driven by the timing of the pension expense payment for the Employees Retirement System's (ERS) unfunded actuarial accrued liability (Non-Grip) payment for FY'21, and a decrease in other post-employment benefits, as a result of an actuarial study which has HOC fully paid through FY21.

-1.kk.-	**Interest Expense**	**23,029,567**	**22,951,495**	**(78,072)**	**(0.34%)**

The decrease in interest expense is driven by a decrease in the Single Family Bonds payable due to scheduled and early redemptions.

- 1.ll -	**Other Expense**	**8,979,610**	**7,392,483**	**1,587,127**	**21.47%**

The increase in other expense is primarily due to property insurance, security contracts and COVID 19 expenses within the General Fund, Public Fund and various Opportunity Housing properties. The change in the accounting treatment of Alexander House Development Corporation prior period-capitalized construction interest expense.

M E M O R A N D U M

TO:	Budget, Finance and Audit Committee				
VIA:	Stacy L. Spann, Executive Director				
FROM:	Staff:	Cornelia Kent	Division:	Finance	Ext. 9754
		Eugenia Pascual		Finance	Ext. 9478
		Nilou Razeghi		Finance	Ext. 9494
		Charnita Jackson		Property Management	Ext. 9776
RE:	Uncollectible Tenant Accounts Receivable: Presentation of request to Write-Off Uncollectible Tenant Accounts Receivable (January 1, 2021 – March 31, 2021)				
DATE:	May 25, 2021				

BACKGROUND:
The agency's current policy is to provide for an allowance for any tenant accounts receivable balance more 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.

HOC also maintains a relationship with 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 security bond, at a much lower rate, from the firm SureDeposit, Inc. instead of paying a traditional security deposit to the Agency. Moreover, 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 SureDeposit, HOC makes every effort to pursue all tenant outstanding receivables.

The last approved write-off on February 23, 2021 was for $49,684, which covered the three-month period from October 1, 2020, through December 31, 2020.

The proposed write-off of former tenant accounts receivable balances for the third quarter January 1, 2021 through March 31, 2021 is $67,720.

The $67,720 third quarter write-off is primarily attributable to former tenants within HOC's Opportunity Housing properties. The RAD 6 properties, Supportive Housing and Public Housing Programs also contributed small amounts to the write-offs from former tenants. The primary reasons for the write-offs across the properties include tenants who skipped, voluntarily left their units, passed away, left due to a job transfer, transferred within program, purchased a home, needed more space, no longer qualified or abandoned the unit.

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

	Current	Prior			Fiscal Year 2021	Fiscal Year 2020
	Write-offs	Write-offs	$ Change	% Change	Year-to-Date	Year-to-Date
Property Type	01/01/21 - 03/31/21	10/01/20 - 12/31/20	12/31/20 - 03/31/31	12/31/20 - 03/31/31	07/01/20 - 03/31/21	07/01/19 - 03/31/20
Public Housing	$ 336	$ -	$ 336	0.00%	$ 706	$ -
Opportunity Housing	63,267	45,974	17,293	37.61%	149,844	188,870
Supportive Housing	3,699	640	3,059	477.97%	25,164	3,477
RAD Properties	418	3,070	(2,652)	-86.38%	19,295	21,608
Rental Asst Sec8 Repays	-	-	-	0.00%	-	4,115
	$ 67,720	**$ 49,684**	**$ 18,036**	**36.30%**	**$ 195,009**	**$ 218,070**

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

	Current	Prior			Fiscal Year 2021	Fiscal Year 2020
	Write-offs	Write-offs	$ Change	$ Change	Year-to-Date	Year-to-Date
	01/01/21 - 03/31/21	10/01/20 - 12/31/20	12/31/20 - 03/31/31	12/31/20 - 03/31/31	07/01/20 - 03/31/21	07/01/19 - 03/31/20
Public Fund						
Former PH Tenants	$ 336	$ -	$ 336	0.00%	$ 706	$ -
Total Public Fund	**$ 336**	**-**	**$ 336**	**0.00%**	**$ 706**	**$ -**

Among the former Public Housing tenants, the write-off is due to one tenant who passed away.

	Current	Prior			Fiscal Year 2021	Fiscal Year 2020
	Write-offs	Write-offs	$ Change	$ Change	Year-to-Date	Year-to-Date
	01/01/21 - 03/31/21	10/01/20 - 12/31/20	12/31/20 - 03/31/31	12/31/20 - 03/31/31	07/01/20 - 03/31/21	07/01/19 - 03/31/20
Opportunity Housing (OH) Fund						
Bauer Park (LIHTC property)	$ 353	$ -	$ 353	0.00%	$ 353	$ 35
Camp Hill Square	-	-	-	0.00%	3,683	-
Chelsea Towers	-	-	-	0.00%	-	2,934
McHome	1,769	-	1,769	0.00%	1,769	-
MHLP I/64	4,208	15	4,193	27953.33%	4,620	148
MHLP IX - MPDU	3,200	457	2,743	600.22%	3,657	7,392
MHLP IX – Pond Ridge	11,427	-	11,427	0.00%	11,427	2,435
MHLP VII	2,070	-	2,070	0.00%	2,070	7,063
MHLP VIII	872	870	2	0.23%	1,742	110
MHLP X	-	-	-	0.00%	-	5,442
NCI-1 - 13671 Harvest Glen Way	-	-	-	0.00%	-	9,104
NCI-1 - 13202 Black Walnut Court	552	-	552	0.00%	552	-
Paintbranch	-	-	-	0.00%	-	3,191
Scattered Site One Dev Corp	8,008	186	7,822	4205.38%	19,992	2,868
Scattered Site Two Dev Corp	2,838	-	2,838	0.00%	2,838	-
State Rental Partnership	10,991	5,237	5,754	109.87%	19,171	5,308
Town Center Apts	2,012	-	2,012	0.00%	2,012	-
TPM Dev Corp - MPDU II (59)	1,619	-	1,619	0.00%	23,401	10,680
VPC One Corp	6,848	21	6,827	32509.52%	6,869	45,192
VPC Two Corp	6,500	39,188	(32,688)	-83.41%	45,688	86,968
Total OH Fund	**$ 63,267**	**$ 45,974**	**$ 17,293**	**37.61%**	**$ 149,844**	**$ 188,870**

Within the Opportunity Housing portfolio, the $63,267 former tenant write-off amounts were largely attributable to MHLP IX– Pond Ridge, Scattered Site One Development Corporation, State Rental Partnership, VPC One Corporation and VPC Two Corporation. The write-offs were mainly due to ten tenants who purchased a home, nine tenants who vacated their units, five tenants who passed away, two tenants who wanted more space, one tenant who transferred within program, one tenant who skipped, one tenant who no longer qualifies, one tenant who left due to a job transfer, one tenant who left due to an HOA violation and one tenant who left due to high rent.

	Current Write-offs 01/01/21 - 03/31/21	Prior Write-offs 10/01/20 - 12/31/20	$ Change 12/31/20 - 03/31/31	% Change 12/31/20 - 03/31/31	Fiscal Year 2021 Year-to-Date 07/01/20 - 03/31/21	Fiscal Year 2020 Year-to-Date 07/01/19 - 03/31/20
Supportive Housing						
McKinney X - HUD	$ 3,699	$ 640	$ 3,059	477.97%	$ 25,164	$ 3,477
Total Supportive Housing	**$ 3,699**	**$ 640**	**$ 3,059**	**477.97%**	**$ 25,164**	**$ 3,477**

Within the Supportive Housing Program, the $3,699 write-off amounts were due to two tenants who passed away and one tenant who voluntary left the program.

	Current Write-offs 01/01/21 - 03/31/21	Prior Write-offs 10/01/20 - 12/31/20	$ Change 12/31/20 - 03/31/31	% Change 12/31/20 - 03/31/31	Fiscal Year 2021 Year-to-Date 07/01/20 - 03/31/21	Fiscal Year 2020 Year-to-Date 07/01/19 - 03/31/20
RAD Properties						
Arcola Towers LP	$ -	$ -	$ -	0.00%	$ -	$ 2,315
Elizabeth House - Interim RAD	172	1,111	(939)	-84.52%	1,283	-
Holly Hall RAD	246	1,664	(1,418)	-85.22%	1,910	331
RAD 6 - Ken Gar	-	295	(295)	-100.00%	295	-
RAD 6 - Seneca Ridge	-	-	-	0.00%	15,807	9,722
RAD 6 - Washington Square	-	-	-	0.00%	-	6,234
Waverly House LP	-	-	-	0.00%	-	3,006
Total RAD Properties	**418**	**$ 3,070**	**$ (2,652)**	**-86.38%**	**$ 19,295**	**$ 21,608**

Within the RAD properties, the $418 write-off amounts were mainly due to two tenants who transferred within program.

	Current Write-offs 01/01/21 - 03/31/21	Prior Write-offs 10/01/20 - 12/31/20	$ Change 12/31/20 - 03/31/31	% Change 12/31/20 - 03/31/31	Fiscal Year 2021 Year-to-Date 07/01/20 - 03/31/21	Fiscal Year 2020 Year-to-Date 07/01/19 - 03/31/20
Rental Asst Sec8 Repays						
Rental Asst Sec8 Repays	$ -	$ -	$ -	0.00%	$ -	$ 4,115
Total Rental Asst Sec8 Repays	**$ -**	**$ -**	**$ -**	**0.00%**	**$ -**	**$ 4,115**

Within the Rental Assistant Sec8 Repays, there were no write-offs to report in the third quarter of FY ’21.

The next anticipated write-off will be for the fourth quarter of FY’21, covering April 1, 2021, through June 30, 2021. 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 that the Commission authorize the write-off of uncollectible tenant accounts receivable?

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 informal discussion at the May 25, 2021 Budget, Finance and Audit Committee meeting. For formal Commission action at the June 9, 2021 meeting.

STAFF RECOMMENDATION:
Staff requests that the Budget, Finance and Audit Committee join its recommendation to the Commission that the Commission authorize the write-off of uncollectible tenant accounts receivable.

M E M O R A N D U M

TO:	Housing Opportunities Commission Budget, Finance and Audit Committee				
VIA:	Stacy L. Spann, Executive Director				
FROM:	Staff:	Cornelia Kent	Division:	Finance	Ext. 9754
		Eugenia Pascual		Finance	Ext. 9478
		Claudia Wilson		Finance	Ext. 9474
		Niketa Patel		Finance	Ext. 9584
RE:	Calendar Year 2020 Audits: Presentation of Calendar Year 2020 Low Income Tax Credit Partnerships and Limited Liability Company Audits				
DATE:	May 25, 2021				

BACKGROUND:

The Commission ("HOC") is the managing partner in thirteen (13) Calendar Year (CY) 2020 tax credit partnerships. Twelve (12) of the thirteen tax credit partnerships required year-end audits for 2020. One of the tax credit partnerships, Elizabeth House III LP, is currently under construction and does not yet require an annual audit.

HOC also has three calendar year LLC properties, CCL Multifamily LLC (The Lindley), Hillandale Gateway LLC and Wheaton Gateway LLC. HOC is the managing member and 50% owner of CCL Multifamily LLC, a Maryland limited liability company that is a partnership with a private foundation. CCL Multifamily LLC owns the Lindley and reports on a calendar year end. The CY2020 audit of CCL Multifamily LLC is included in this recommendation as well. Hillandale Gateway LLC and Wheaton Gateway LLC are currently in pre-development stage and do not require an annual audit as of calendar year end 2020.

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, 2020:

Calendar Year 2020 Properties
Low Income Housing Tax Credit (LIHTC)
4913 Hampden Lane LP (Lasko Manor)
Alexander House Limited Partnership
Arcola Towers RAD LP
Forest Oak Towers LP
Greenhills Limited Partnership
Spring Garden One Associates LP
Tanglewood and Sligo LP
Waverly House RAD LP
Wheaton Metro Limited Partnership (MetroPointe)
900 Thayer LP
Bauer Park LP
HOC at the Upton II Limited Liability Company
Limited Liability Company (LLC)
CCL Multifamily Limited Liability Company

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

The twelve (12) Calendar Year 2020 Tax Credit Partnership audits and the CCL Multifamily LLC audit have been finalized and have received a standard unqualified audit opinion from independent certified public accounting firms performing the audits.

ISSUES FOR CONSIDERATION:

Does the Budget, Finance and Audit Committee wish to join staff's recommendation to the Commission to accept the 12 CY 2020 Tax Credit Partnership and the CCL Multifamily LLC Audits?

BUDGET IMPACT:

There is no budget impact related to acceptance of the 12 CY 2020 Tax Credit Partnership and CCL Multifamily LLC Audits.

TIME FRAME:

For internal discussion at the May 25, 2021 meeting by the Budget, Finance and Audit Committee. For Commission action at its June 9, 2021 meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Budget, Finance and Audit Committee recommend to the full Commission acceptance of the 12 CY 2020 Tax Credit Partnership and CCL Multifamily LLC Audits.

Appendix A

Calendar Year 2020 Audit Status

	Name of the Partnership	Number of Units	Scattered Site	Remaining Compliance Years	Audit Firm	Opinion	Finding	Audit Status
1	4913 Hampden Lane LP (Lasko Manor)	12	No	5	PKF O'Connor Davies	Unqualified	None	Completed
2	Alexander House Limited Partnership	122	No	13	Novogradac & Company	Unqualified	None	Completed
3	Arcola Towers RAD LP	141	No	11	Novogradac & Company	Unqualified	None	Completed
4	Forest Oak Towers LP	175	No	2	Novogradac & Company	Unqualified	None	Completed
5	Greenhills Limited Partnership	77	No	13	Novogradac & Company	Unqualified	None	Completed
6	Spring Garden One Associates LP	83	No	0	Novogradac & Company	Unqualified	None	Completed
7	Tanglewood and Sligo LP	132	No	8	Novogradac & Company	Unqualified	None	Completed
8	Waverly House RAD LP	157	No	11	Novogradac & Company	Unqualified	None	Completed
9	Wheaton Metro Limited Partnership (MetroPointe)	53	No	2	CohnReznick LLP	Unqualified	None	Completed
10	900 Thayer LP	124	No	14	Novogradac & Company	Unqualified	None	Completed
11	Bauer Park LP	142	No	15	Novogradac & Company	Unqualified	None	Completed
12	HOC at The Upton II Limited Liability Company	150	No	NA	Novogradac & Company	Unqualified	None	Completed
	LLC							
13	CCL Multifamily Limited Liability Company	200	No	NA	Novogradac & Company	Unqualified	None	Completed

M E M O R A N D U M

TO: Housing Opportunities Commission Budget, Finance and Audit Committee

VIA: Stacy L. Spann, Executive Director

FROM: Staff: Cornelia Kent Division: Finance Ext. 9754
Eugenia Pascual Finance Ext. 9478

RE: 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, HOC Fenwick & Second Headquarters, Brooke Park Apartments, Ambassador Apartments, Avondale Apartments and Year 15 LIHTC Properties.

DATE: May 25, 2021

BACKGROUND:

The Commission previously approved advances from the PNC Bank Line of Credit (LOC) to support the interim financing needs of MHLP VII, Fairfax Court Apartments and HOC Fenwick & Second Headquarters. The Commission also authorized draws from the 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, 2022. The LOC's taxable borrowing rate is LIBOR plus 90 basis points and the tax-exempt borrowing rate is 68.5% of LIBOR plus 59 basis points. The RELOC taxable borrowing rate is LIBOR plus 58 basis points and the tax-exempt borrowing rate is 68.5% of LIBOR plus 38 basis points. The unobligated amount as of March 31, 2021 is $289,740 under the LOC and $40,516,665 under the RELOC.

The table below indicates the current maturity dates, the outstanding principal amounts as of March 31, 2021 and the estimated annual cost under each of these loans.

Property	Line of Credit	Current Maturity date	Principal Balance	Estimated Annual Cost	Libor Rate & Spread under LOC & RELOC	
MHLP VII	$60 million	June 2021	$ 522,725	$ 5,271	1.00838%	Taxable
Fairfax Court Apartments	$60 million	June 2021	328,695	3,314	1.00838%	Taxable
HOC Fenwick & Second Headquarters	$60 million	June 2021	1,186,016	11,960	1.00838%	Taxable
Ambassador Apartments	$90 million	June 2021	1,862,495	8,460	0.45424%	Tax-exempt
Avondale Apartments	$90 million	June 2021	7,037,704	31,968	0.45424%	Tax-exempt
Year 15 LIHTC	$90 million	June 2021	1,371,600	9,442	0.68838%	Taxable
Brooke Park Apartments	$90 million	Aug 2021	902,025	6,209	0.68838%	Taxable
Total			**$ 13,211,260**	**$ 76,625**		

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 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 comprehensive 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.

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 LOC up to $2,908,300. The construction of the building is expected to commence by the end of calendar year 2021. Draws through March 31, 2021 totaled $1,186,016.

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.

Avondale
The outstanding draw of $7,037,704 on the RELOC funded the acquisition of the Avondale properties. Staff has been working to determine the appropriate development strategy for the property.

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, 2021 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 LOC, $1,631,888 of this amount has been already expended. 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 $902,025 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 that the Commission extend approval of the maturity dates to finance Commission approved actions 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, 2022?

PRINCIPALS:

HOC
PNC Bank, N.A.
Montgomery Homes Limited Partnership (MHLP) VII
Fairfax Court Apartments
HOC-Fenwick & Second Headquarters
Brooke Park Apartments
Wheaton-University Boulevard Limited Partnership for Ambassador Apartments
Avondale Apartments
Year 15 LIHTC Properties

BUDGET IMPACT:

The amount of interest expense for FY 2022 is estimated to be $76,625. The interest expense will be included in the FY 2022 Agency Budget.

TIME FRAME:

For informal discussion at the May 25, 2021 Budget, Finance and Audit Committee meeting. For Commission action at the June 9, 2021 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, HOC

Fenwick & Second Headquarters, Brooke Park Apartments, Ambassador Apartments, Avondale Apartments and Year 15 LIHTC properties through June 30, 2022.

M E M O R A N D U M

TO: Housing Opportunities Commission, Budget, Finance and Audit Committee

VIA: Stacy L. Spann, Executive Director

FROM: Staff: Jay Berkowitz Division: Property Management Ext. 4857

RE: The Oaks at Four Corners – Property Management Contract: Presentation of request to Renew the Property Management Contract for Oaks at Four Corners Development Corporation

DATE: May 25, 2021

PURPOSE:

Staff is requesting the property management contract with Edgewood Management for Oaks at Four Corners be renewed through July 2022.

BACKGROUND:

This a mixed income property that serves seniors with 48 Units under the HIF Program and 72 market units, located in Silver Spring. The Oaks at Four Corners was built in 1986 and has not had any major renovations.

Staff wishes to renew the property management contract with Edgewood Management. The property is well maintained and the average occupancy has been 99% over the last two years. Oaks at Four Corners received a score of 99b for its most recent REAC inspection in 2019. With this high score, the property would only be subject to tri-annual inspections by REAC.

The following table details the property information, including number of units, current property management company, annual contract cost, current contract end date, proposed renewal start and end date and contract terms remaining. The contract renewal will reflect that the management fee will be based on performance.

Property	Current Vendor	Current Vendor Start Date	Annual Renewal Contract Cost	Contract End Date	Proposed Renewal Period	Remaining Contract Renewals
Oaks at Four Corners	Edgewood	August 2019	$57,600	7/31/2021	8/1/2021 to 7/31/2022	One

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ISSUES FOR CONSIDERATION:

Will the Budget, Finance and Audit Committee join staff's recommendation to the Commission that the Commission to approve renewing the property management contract with Edgewood Management for Oaks at Four Corners through July 31, 2022.

BUDGET IMPACT:

The renewal of the property management contract for Oaks at Four Corners for one year will not have a budget impact as the costs associated with the services were factored into the FY2022 property budget. Additionally, the renewal will be performance-based so the management fee would be lower if revenue declined below budgeted expectations. In addition to occupancy, performance criteria will include REAC scoring. The property has had no reduction in fees because of the occupancy levels or REAC score.

TIME FRAME:

For informal discussion at the May 25, 2021 Committee meeting. For formal Commission action at the June 9, 2021 meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff requests that the Budget, Finance and Audit Committee join its recommendation to the Commission that the Commission approve the property management contract renewal with Edgewood Management for one year for Oaks at Four Corners.

M E M O R A N D U M

TO: Housing Opportunities Commission, Budget, Finance, and Audit Committee

VIA: Stacy L. Spann, Executive Director

FROM: Staff: Millicent Anglin Division: Property Management Ext. 9676

RE: Renewal of Property Management Contract for Fenton Silver Spring (900 Thayer LP)

DATE: May 25, 2021

STATUS: Committee Report: Deliberation __X____

PURPOSE:

To approve one-year renewal of property management contract with Edgewood Management for Fenton Silver Spring.

BACKGROUND:

Staff recommends renewing the property management contract with Edgewood Management Corporation ("Edgewood") for Fenton Silver Spring. The property is well-maintained and has stable occupancy. Amenities include an onsite resident services office, community room, and rooftop lounge. Further detail is provided in the table below. Edgewood scored 3.05 of 4.00 available points in a resident survey completed in March 2020, which was the fourth highest score of the six management companies surveyed. Staff continues to partner with Edgewood to improve operational results and customer service.

Property	Location	Total Residential Units	Affordable Units	AMI Restrictions	Current Occupancy	Latest REAC Score
Fenton Silver Spring	Silver Spring	124	124	30% - 80% AMI	94%	N/A*

**There has not been a REAC inspection since the property completed construction in October 2019.*

The following table details property information, including current property management company, annual contract cost, current contract end date, proposed renewal start and end date and contract terms remaining.

Property	Current Vendor	Current Vendor Start Date	Annual Renewal Contract Cost	Current Contract End Date	Proposed Renewal Period	Remaining Contract Renewals
Fenton Silver Spring	Edgewood	August 2019	$62,000	8/29/2021	8/30/2021-8/29/2022	One

ISSUES FOR CONSIDERATION:

Will the Budget, Finance, and Audit Committee join staff's recommendation to the Housing Opportunities Commission of Montgomery County to renew the property management contract with Edgewood Management for Fenton Silver Spring?

BUDGET IMPACT:

Renewal of the property management contract will not have an adverse budget impact as the cost associated with the services is included in the property's operating budget. Additionally, the contract will be performance-based so fees will be lower if revenue declines below budgeted expectations or if the property receives less than an 80 on a REAC inspection.

TIME FRAME:

For formal action at the June 9, 2021 meeting of the Commission.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff requests that the Budget, Finance, and Audit Committee join its recommendation to the Commission to renew the property management contract with Edgewood Management for Fenton Silver Spring through August 29, 2022.