REVISED: September 20, 2021

Housing Opportunities Commission OF MONTGOMERY COUNTY

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

BUDGET, FINANCE AND AUDIT COMMITTEE

September 21, 2021
10:00 a.m.

Livestream: https://youtu.be/ZAOKno6reWU

Approval of Minutes:

Action Items:

Posted: September 20, 2021

Minutes

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

Budget, Finance and Audit Committee Minutes

August 10, 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, August 10, 2021, with moderator functions occurring at 10400 Detrick Avenue, Kensington, Maryland beginning at 10:02 a.m. There was a livestream of the meeting held on YouTube, available for viewing here. Those in attendance were:

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

Also Attending

Kayrine Brown, Acting Executive Director	Aisha Memon, General Counsel
Cornelia Kent, Chief Financial Officer	Terri Fowler, Budget Officer
Olumtomi Adebo, Assistant Budget Officer	Eugenia Pascual, Controller
Christina Autin	Fred Swan
Hyunsuk Choi	Charnita Jackson
Aries Cruz	Zachary Marks
Nathan Bovelle	Millicent Anglin
Francisco Vega	Nilou Razeghi
Jay Berkowitz	Leidi Reyes
Lynn Hayes	Frederick Colas
Marcus Ervin	Timothy Goetzinger
Ellen Goff	Niketa Patel
Matt Husman	Claire Kim
Darcel Cox	Zachary Marks

Guest
Brian Kim

Patrice Birdsong, Spec. Asst. to Commission

Commissioner Nelson opened the meeting with a roll call of Commissioners who participate on the Committee, with an introduction and welcome of Jeffrey Merkowitz to the Committee. The

Committee now consist of Commissioners Richard Y. Nelson, Jr., Chair, Frances Kelleher, and Jeffrey Merkowitz.

APPROVAL OF MINUTES

The minutes of May 25, 2021, were approved as submitted with a motion by Commissioner Kelleher and seconded by Commissioner Nelson. Affirmative votes were cast by Commissioners Nelson and Kelleher. Commissioner Merkowitz abstained.

ACTION ITEMS

1. **County FY'23-28 Capital Improvements Program Budget:** Authorization to Submit County FY'23-28 Capital Improvements Program Budget

Cornelia Kent, Chief Financial Officer, introduced Terri Fowler, Budget Officer, who provided the presentation of the County FY'23-28 Capital Improvements Program Budget.

There was discussion among the Committee in regards to cost of temporary storm line. Hyunsuk Choi, Real Estate Acquisitions Manager provided explanation. A motion was made by Commissioner Kelleher and seconded by Commissioner Merkowitz to move forward to full Commission for approval. Affirmative votes were cast by Commissioners Nelson, Kelleher, and Merkowitz.

2. **Wheaton Gateway, LLC and 8800 Brookville Road (Lyttonville):** Approval to Extend the Maturity Dates for the Draws on the PNC Bank Line of Credit Which Financed the Acquisition of Lindsey Ford (Wheaton Gateway) and the Lyttonsville Site (8800 Brookville Road)

Cornelia Kent, Chief Financial Officer, introduced Eugenia Pascual, Controller, who provided a presentation to extend the maturity dates for the draws on the PNC Bank Line of Credit. Staff addressed Commissioner Nelson's question regarding an RFP with WSSC. A motion was made by Commissioner Kelleher and seconded by Commissioner Merkowitz to move forward to the full Commission for approval. Affirmative votes were cast by Commissioners Nelson, Kelleher, and Merkowitz.

3. **Spring Garden One Associates Limited Partnership – Property Management Contract:** Presentation of Request to Renew the Property Management Contract for Spring Garden One Associates Limited Partnership

Cornelia Kent, Chief Financial Officer, introduced Jay Berkowitz, Asset Manager – Property Management Division, who provided a presentation to request the Committee's approval to recommend to the full Commission a request a one-year renewal of the property management contract for Spring Garden One Associates Limited Partnership.

There was discussion regarding the Resident Survey and working with the third party management in following up on their resolves. A motion was made by Commissioner Kelleher and seconded by Commissioner Merkowitz to move forward to full Commission for approval. Affirmative votes were cast by Commissioners Nelson, Kelleher, and Merkowitz.

4. **The Willow Manor Properties – Property Management Contract:** Presentation of Request to Renew the Property Management Contract for The Manor at Clopper's Mill, LLC, The Manor at Colesville, LLC, and The Manor at Fair Hill Farm, LLC

Jay Berkowitz, Asset Manager – Property Management Division, provided a presentation to request the Committee's approval to recommend to the full Commission a one-year renewal of the property management contract for The Manor at Clopper's Mill, LLC, The Manor at Colesille, LLC, and The Manor at Fair Hill Farm, LLC.

There was discussion and questions among the Committee that staff addressed. A motion was made by Commissioner Kelleher and seconded by Commissioner Merkowitz to move forward to full Commission for approval. Affirmative votes were cast by Commissioners Nelson, Kelleher, and Merkowitz.

The meeting adjourned at 10:31 a.m. by Committee Chair Nelson. The next scheduled meeting is September 21, 2021.

Respectfully submitted,

Kayrine Brown
Acting Secretary-Treasurer

/pmb

Action Items

M E M O R A N D U M

TO:	Housing Opportunities Commission of Montgomery County Budget, Finance and Audit Committee
VIA:	Kayrine Brown, Acting Executive Director
FROM:	Staff: Cornelia Kent — Division: Finance — Ext. 9754 Terri Fowler — Ext. 9507 Tomi Adebo — Ext. 9472
RE:	Acceptance of Fourth Quarter FY'21 Budget to Actual Statements
DATE:	September 21, 2021

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

ISSUES FOR CONSIDERATION:
To assess the financial performance of the Housing Opportunities Commission (Agency) for the fourth quarter of FY'21 against the budget for the same period.

BUDGET IMPACT:
Please see Discussion section of the memo for the budget impact of recommended actions for FY'21.

TIME FRAME:
For informal discussion at the September 21, 2021 Budget, Finance & Audit Committee meeting. For formal Commission action at the October 6, 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 accept the Fourth Quarter FY'21 Budget to Actual Statements.

DISCUSSION – FOURTH QUARTER BUDGET TO ACTUAL STATEMENTS

This review of the Budget to Actual Statements for the Agency through the fourth 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.

HOC Overall (see Attachment A)

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 revenues, expenses, and unrestricted net cash flow from operations for each fund. Unrestricted net cash flow in each fund is what is available to the Commission to use for other purposes. The FY 21 Fourth Quarter Operating Budget to Actual Comparison (Attachment A) shows unrestricted net cash flow or deficit for each of the funds. Attachment A also highlights the FY'21 Fourth Quarter Budget to Actual Comparison for Capital Expenses.

The Agency ended the year with a net cash surplus of $1,241,830, which equates to 0.44% of the total operating budget of $285,210,846 and 0.67% of the total adjusted operating budget of $186,678,348, which excludes Housing Assistance Payments (HAP). The primary causes were savings in various expense categories in the General Fund (see General Fund) and slightly higher cash flow in some of the unrestricted Opportunity Housing Properties as a result of property performance (see Opportunity Housing Fund).

Explanations of Major Variances by Fund

The **General Fund** consists of the basic overhead costs for the Agency. This fund ended the year with a deficit of $1,062,124, which resulted in a positive variance of $1,248,633 when compared to the projected deficit of $2,310,757.

As of June 30, 2021, income in the General Fund was $94,008 lower than budgeted. It is important to note that the FY'21 Amended Budget assumed a contribution from the General Fund Operating Reserve (GFOR) of $1,047,443, which was reflected as income in the General Fund. As a result of the overall surplus at year-end, the contribution was not needed, which reduced income in the General Fund by the same amount. If we exclude the impact of not drawing the $1,047,443 from the GFOR, income in the General Fund was actually $953,435 greater than budget.

The positive income variance was primarily the result of higher than anticipated payments from properties utilizing the FHA Risk Sharing program of $660,103, which is reflected as income in the General Fund with a corresponding expense to restrict the income to the FHA Risk Sharing Reserve. In addition, Development Corporation Fees, which represent unrestricted cash flow from the properties, and Asset Management Fee income, which includes distributions of cash from tax credit properties, were slightly higher than budget. This income partially offset the lower Commitment and Development Fee income and lower draws from the Opportunity Housing Reserve Fund (OHRF) for Real Estate personnel and predevelopment costs due to savings in the division's expenses.

Expenses were $1,342,641 lower than budgeted. The positive expense variance was primarily the result of substantial lapse in salary and benefits due to turnover and vacancy coupled with savings in professional services, computer software, utilities and tenant services expenses. This savings was partially offset by the previously mentioned restriction of the additional FHA Risk Sharing income that was restricted to the reserves coupled with overages in maintenance due to COVID-19.

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

The Multifamily Bond Fund draw for FY'21 was reduced by the cumulative $241,570 of savings left in the fund at FY'20 year-end. As a result of savings in administrative salaries and benefits, legal, and financial services expenses, the fund ended the year with a positive expense variance of $133,516. After using the previous savings in the fund, this savings in expenses results in a year-end surplus of $133,516. Staff is recommending that the surplus of $133,516 be used to reduce the budgeted draw for FY'22 for the Multifamily Bond Fund.

The Single Family Bond Fund draw for FY'21 was reduced by the $208,038 of savings left in the fund at FY'20 year-end. As a result of savings in administrative salaries, benefits, legal costs, financial services expenses, legal, financial services, trustee fees, and lender service fees the fund ended the year with a positive expense variance of $82,613. After using the previous savings in the fund, this savings in expenses results in a year-end surplus of $82,613. Staff is recommending that the surplus of $82,613 be used to reduce the budgeted draw for FY'22 for the Single Family Bond Fund.

The Opportunity Housing Fund

The FY'21 Second Quarter Budget Amendment incorporated the anticipated impact on rent receipts and the corresponding impact to the Allowance for Bad Debt, due to the continued impact of the COVID-19 pandemic on properties' performance. Bad debt expense on the properties continued to grow during FY'21 with an ending balance of $3.3M. However, the FY'21 Amended budget projected a much larger bad debt expense than was realized due in part to the higher beginning allowance balances at some of the properties as well as slightly better performance during the spring. It is possible that the increased payments were the result of the additional stimulus payments, continued unemployment benefits and tax refunds. We saw a slight decline of receipts in the fourth quarter which resulted in a total receivable balance at year end of approximately $5.9M. In addition, the deferral of County Loan Payments in response to potential cash flow short fall resulting from the COVID 19 impact on rent receipts, resulted in savings of over $456k in debt service payments in the portfolio. In many cases, the savings in bad debt and/or debt service was offset by lower gross rents and higher concessions and vacancy loss at several properties. Other variances in the properties are detailed below.

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

Group 1

- The first group includes properties that were budgeted to provide unrestricted net cash flow toward the Agency's FY'21 Operating Budget. It should be noted that a few properties also had a portion of operating cash flow restricted for various reasons. This group ended the year with cash flow of $4,485,414 or $560,442 lower than projected. Cash flow recognized for Scattered Site One and Sligo MPDU III were adjusted down to reflect the growth in tenant receivables that exceeded the allowance at year end. When we adjust the recognized cash flow by the reductions mentioned above the net year-end recognizable cash flow is $4,397,633 or $648,223 below the portfolio budget.

- **Alexander House Dev Corp** ended the year with a negative cash flow variance of $732,631 as a result of lower gross rents coupled with higher concessions, vacancy loss, bad debt and maintenance expenses that were offset slightly by savings in administrative, utility and security costs. Cash flow at **The Barclay Dev Corp** was $79,907 lower than anticipated due to higher vacancies and higher administrative and maintenance cost that were partially offset by lower bad debt, tax and security cost. **Glenmont Crossing Dev Corp** experienced a positive cash flow variance of $35,149 as a result of lower maintenance, administrative and bad debt expense countered by lower gross rents and overages in utilities costs. **Glenmont Westerly Dev Corp** experienced a positive cash flow variance of $18,487 as a result of lower maintenance and administrative costs that were almost entirely offset by lower gross rents and overages in utilities costs. **The Metropolitan Dev Corp** ended the year with a negative cash flow variance of $362,384 ($305,101 + $57,283) primarily as a result of lower tenant rents coupled with higher concessions and vacancy loss. Excess cash from the Metropolitan Dev Corp is used to cover the budgeted loss on the **Metropolitan Affordable** units which was $92,434 lower than anticipated as a result of savings in tenant services, utility, maintenance, and tax expenses. **Montgomery Arms Dev Corp** experienced negative cash flow variances of $90,378 as a result of slightly lower gross rents and higher vacancy loss coupled with higher administrative and bad debt expense that was partially offset by savings in utility, maintenance and security costs. **MPDU 59** reported a positive cash flow variance of $74,663 primarily attributed to lower bad debt offset by higher utilities, maintenance costs, and vacancy loss. Cash flow for **Paddington Square** was $204,753 lower than budget as a result of lower gross rents and higher vacancies and concessions coupled with overages in utility, administrative and insurance costs that were partially offset by savings in maintenance and bad debt expenses. **Pooks Hill High-Rise Dev Corp** experienced negative cash flow variances of $89,746 as a result of lower gross rents and higher vacancy and concessions that was partially offset by savings in administrative, tenant services, utility and maintenance costs. **Scattered Site One Dev Corp and Scattered Site two Dev Corp** reported positive cash flow variances of $68,308 and $19,127, respectively, primarily due to lower bad debt expense compared to the amended budget that was partially offset by overages in administrative, maintenance and utilities coupled with lower tenant income and higher vacancy loss. Cash flow at **Sligo Development Corp** was $19,627 lower than anticipated due to lower gross rents and higher vacancies that were partially offset by savings in utilities and bad debt expenses. **VPC One Dev Corps** and **VPC Two Dev Corps** experienced positive cash flow variances of $512,428 and $133,932, respectively, largely the result of lower bad debt expense compared to the amended budget coupled with lower vacancies that were partially offset by lower gross rents and concessions at both properties. VPC One also experienced savings in administrative, utility, and maintenance expenses. The positive variance at VPC Two was also partially offset by higher maintenance and administrative expenses.

Group 2

- 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 $65,040 lower than budgeted for the year. **MetroPointe Dev Corp** reported a negative cash flow variance of $156,127 primarily attributed to lower gross rents, higher vacancy loss and concessions coupled with higher administrative and bad debt expense that were partially offset by savings in tenant services, utility and maintenance costs. The shortfall at MetroPointe will be funded through a planned draw from the GFOR. Cash flow at the **Oaks at Four Corners Dev Corp** was $30,119 higher than anticipated due to savings in administrative, tenant services and maintenance costs that was partially offset by lower gross rents coupled with higher utility and bad debt expense. The **RAD 6** properties ended the year with a shortfall of ($204,681) which resulted in a positive cash flow variance of $118,251, collectively, as a result of higher gross rents and lower vacancies coupled with lower bad debt that was partially offset by overages in utility, administrative and maintenance cost. Cash flow at **Ken Gar** was $54,340 lower than anticipated due to lower tenant subsidies and higher maintenance expenses. **Parkway Woods** reported a positive cash flow variance of $15,840 primarily due to savings in most expense categories that was partially offset by higher bad debt expense. **Sandy Spring Meadow** ended the year with a positive cash flow of $12,188 resulting in a positive variance of $42,405 when compared to the budgeted deficit of $30,217 primarily due to lower bad debt and savings in administrative and maintenance costs that were partially offset by overages in utilities. The planned deficit for **Seneca Ridge** was $109,751 lower than anticipated due to higher gross rents and lower vacancies coupled with lower bad debt expense that was partially offset by overages in administrative, utility and maintenance expenses. **Towne Center Place** ended the year with a positive cash flow of $8,858 resulting in a positive variance of $42,522 when compared to the budgeted deficit of $33,664 primarily due to higher tenant subsidies coupled with lower bad debt expense that was partially offset by overages in utility and administrative costs. **Washington Square** reported a negative cash flow variance of $37,927 primarily attributed to overages in administrative, utility and maintenance expenses that were partially offset by lower vacancy and bad debt.

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

Group 1

- 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 year with cash flow of $3,648,391 or $995,232 more than projected. Cash flow recognized for McHome, MHLP VII, MHLP VIII, and MHLP X, were adjusted down to reflect the growth in tenant receivables that exceeded the allowance at year end. When we adjust the recognized cash flow by the reductions mentioned above the net year-end recognizable cash flow is $3,201,672 or $548,513 above the portfolio budget.

- Cash flow at **MPDU I (64)** was $125,475 higher than anticipated due to lower bad debt expense that was partially offset by lower tenant rents and higher vacancy loss coupled with overages in utility and maintenance expense. **Avondale Apartments** reported a negative cash flow variance of $26,363 primarily due to lower gross rent and higher vacancy loss coupled with overages in utility costs that were partially offset by savings in administrative, maintenance, and tax expenses. **Barclay Affordable** experienced a positive cash flow variance of $94,832 as a result of lower bad debt, administrative and maintenance expenses that were partially offset by overages in utilities. **Camp Hill Square** reported a negative cash flow variance of $142,687 primarily attributed to higher security and maintenance costs coupled with higher vacancy loss that were partially offset by higher gross rents coupled with lower bad debt and utility costs. **Chelsea Towers** experienced a positive cash flow variance of $97,287 due to of lower debt service expense, as a result of deferring payment on the County loan due to COVID 19 impact on Agency income coupled with no vacancy loss for the year. Cash flow at **Fairfax Court** was $31,177 lower than anticipated due to lower gross rents and slightly higher vacancy coupled with higher administrative, utility and maintenance expense that were partially offset by lower bad debt expense. **Holiday Park** reported a negative cash flow variance of $112,099 primarily due to overages in most expense categories coupled with higher vacancy loss. **Jubilee Hermitage** and **Jubilee Woodedge** experienced negative cash flow variances of $21,272 and $12,165, respectively, mainly as a result of adjustments for prior year subsidy payments that decreased tenant income. In addition, Jubilee Hermitage experienced higher than anticipated maintenance expenses related to grounds and elevator work. Cash flow at the three **Manor** properties was collectively $78,863 ($56,727 + $46,740 + ($24,604)) 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 coupled with overages in most expense categories. **McHome** experienced a positive cash flow variance of $42,819 as a result of savings in maintenance and bad debt expenses that were partially offset by higher vacancies, utilities and administrative cost. **MHLP VII, MHLP VIII, MHLP IX Pond Ridge** and **Scattered Sites,** and **MHLP X** all experienced positive cash flow variances due to lower bad debt and debt service payments that were partially offset by higher vacancies. **MPDU 2007** reported positive cash flow variances of $20,561 as a result of lower bad debt and maintenance expense coupled with 100% occupancy for the year. **Pooks Hill Mid-Rise** experienced a negative cash flow variance of $39,027 as a result of lower gross rents and higher vacancies coupled with overages in utility and bad debt expenses that were partially offset by savings in maintenance cost. **Shady Grove Apt** experienced a positive cash flow variance of $575,127 as a result of higher tenant income due to the catchup on subsidy payments rates and lower vacancy coupled with savings in maintenance expenses that were partially offset by overages in administrative and utility cost. **Strathmore Court** experienced a negative cash flow variance of $417,601 as a result of lower tenant income and higher concessions and vacancy loss coupled with higher than anticipated expenses in most categories. **TPP LLC Pomander Court** experienced a negative cash flow variance of $87,429 primarily as a result of higher maintenance and utilities coupled with lower gross rents. **Westwood Towers** experienced a negative cash flow variance of $55,603 as a result of lower gross rents and higher vacancy loss coupled with overages in administrative costs that was partially offset by savings in tenant services, utility, maintenance, and security expenses. Cash flow at **The Willows**, which was projected at a deficit of ($198,119), ended the year at a positive cash flow of $247,608 resulting in a positive variance of $445,727 due to savings in most expense categories coupled with higher gross rents that were partially offset by higher vacancy loss.

Group 2

- 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 $2,147,615 more than budgeted. The demolition of **The Ambassador** was completed in April of 2020. The property experienced expenses of $12,267 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. **Bradley Crossing** was acquired on June 1, 2021 which did not allow time for the adoption of a budget for FY'21 or FY'22. The FY'22 First Quarter Budget Amendment will establish the budget for FY'22. Cash flow at **Brookside Glen** was $35,502 higher than anticipated due to savings in most expense categories that were partially offset by overages in utilities coupled with lower gross rents and slightly higher concessions and vacancy loss. The planned shortfall of ($850,912) at **Cider Mill** was $531,418 smaller than anticipated 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 administrative, utility, maintenance and security costs. **Diamond Square** ended the year with a positive cash flow variance of $40,295 largely the result of savings throughout most expense categories coupled with lower vacancy loss that was partially offset by overages in maintenance expenses and lower gross rents. Cash flow at **Elizabeth House Interim RAD**, which was projected at a deficit of ($17,377), ended the year at a positive cash flow of $578,805 resulting in a positive variance of $596,182 due to higher subsidy payments that included the receipt of vacant unit subsidies that were partially offset by overages in most expense categories. A portion of the cash flow equal to the deficit covered by the

Agency in FY'20 which was $266,542 will be unrestricted to reimburse the Agency. **Georgian Court Affordable** ended the year with a positive cash flow variance of $441,928 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 a small amount of maintenance and utilities costs for the building resulting in expenses of $57,504 which will be covered by unrestricted cash in the Opportunity Housing portfolio. Manchester Manor ended the year with a deficit of ($42,631) resulting in a negative cash flow variance of $45,599 largely resulting from lower gross rents and higher vacancies coupled with overages in administrative, maintenance, and security costs that were partially offset by savings in utilities, bad debt and debt service expenses. The shortfall will be covered by existing cash at the property. **Paint Branch** experienced a negative cash flow variance of $16,946 due to higher maintenance and administrative cost. **Southbridge** ended the year with a negative cash flow variance of $48,625 due to higher vacancy coupled with higher utility, maintenance and security costs. **State Rental Combined** reported a negative cash flow variance of $23,576 primarily attributed to lower gross rents and higher vacancy, utilities and maintenance expense countered by lower bad debt expense. Cash flow at **Stewartown Affordable** was $334,441 higher than anticipated due to higher gross rents and lower vacancies partially offset by overages in most expense categories.

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

- The FY'21 Budget was developed with no Public Housing property budgets. **Elizabeth House** received additional Rental Assistance Demonstration (RAD) vacant unit subsidies at the end of FY'20 and in FY'21 that were subsequently transferred to the Elizabeth House RAD property. In addition, 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 year with a shortfall of $1,238,272. The shortfall was comprised of Housing Assistance Payment (HAP) payments that exceeded HAP revenue by $3,423,500 offset by an administrative surplus of $2,185,228. The HAP shortfall was funded from the HCVP Net Restricted Position (NRP), which includes funds received in prior years that were recognized but not used. The administrative surplus was the result of higher than anticipated administrative fee income coupled with savings in administrative expenses due largely to staff turnover. The higher administrative fee income was the result of a higher proration factor of 80% compared to the budgeted proration factor of 79%, higher administrative fees received on incoming portables, additional administrative fees received in July and September 2020 as a result of the reconciliation of fees earned based on actual utilization from January 1, 2020 through June 30, 2020, and additional fees received to support the COVID-19 voucher funding received.

<u>Tax Credit Partnerships</u>

The Tax Credit Partnerships have a calendar year end.

<u>Budget Impact – FY'21</u>

- As explained in this memo, the Agency ended the year with a surplus of $1,241,830 primarily as a result of lower than anticipated expenses in the General Fund and slightly higher cash flow in some of the unrestricted Opportunity Housing Properties as a result of property performance.

- Staff recommends that surplus of $1,241,830 be restricted 50% or $620,915 the General Fund Operating Reserve(GFOR) for future operational needs and 50% or $620,915 to the Opportunity Housing Property Reserve (OHPR) to help replenish the reserve to fund the shortfalls for capital needs that can be expected during the FY'22 and FY'23 budget season.

<u>The Capital Budget</u> (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. Several properties exceeded their budget due to unanticipated physical needs at the properties. For properties where sufficient reserves are available, they will be used to cover the overages. Several properties were dependent upon the Opportunity Housing Property Reserve (OHPR) for FY '21. Total expenditures for the portfolio did not exceed the authorized amount of $739,500 allocated from the OHPR for FY'21. Capital budgets from projects with positive variances may be rolled forward as requested for projects that were planned for FY'21 but not completed.

Following is an explanation of properties that have exceeded their annual capital budget. There are sufficient property reserves to cover the overages at all of the properties except **Barclay Apartments Dev Corp, Holiday Park, Jubilee Hermitage, Manchester Manor Apartments, McKendree, MHLP VII, MHLP VIII, MHLP IX – Pond Ridge, MHLP IX – Scattered, TPM – 59 MPDUs** and **Sligo Dev Corp**. The overages at these properties will be covered by the OHPR. There are sufficient savings in other capital budgets that were drawing from this reserve to cover the overage at these properties.

There are a few properties with overages that will be funded by the respective properties reserves**.**

Bradley Crossing, which was acquired on June 1, 2021 did not have an established budget. Capital cost are for appliance replacement. **Brookside Glen** exceeded the capital budget due to unplanned appliance replacements and significant water heater failures at the property that required immediate replacement to prevent property damage. 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. **Ken Gar** overspent its capital budget due to unanticipated plumbing replacements. The **Manor at Cloppers Mill** exceeded its capital budget due to unanticipated HVAC unit and flooring replacements. **Manor at Fair Hill Farm** exceeded the capital budget due to unanticipated ejector pump and HVAC replacements. The

NCI Units overspent their capital budget due to unanticipated flooring replacements and emergency HVAC repairs. **Paddington Square** exceeded its capital budget as a result of unanticipated flooring replacements and building jetting. **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. **Seneca Ridge** exceeded its capital budget as a result of unanticipated unit turns primarily resulting in overages in painting. **Shady Grove** exceeded the capital budget due to the County Department of Storm Water management requiring the replacement of 125 feet of principal spillway pipe for the storm water facility after an issue was discovered during the inspection of the spillway pipe. **State Rental Combined, VPC One and Two** overspent the capital budgets as a result of unanticipated appliance, plumbing and flooring work. Most of work at State Rental was required by the Maryland Department of Housing and Community Development (DHCD). **Towne Center Place Dev Corp** overspent their capital budget due to unanticipated plumbing and flooring replacements. **Washington Square** has exceeded its FY'21 capital budget as a result of unanticipated flooring, roofing and kitchen cabinets replacements.

It is worth noting that staff is working to identify capital work that was done in the Scattered Site portfolio that is eligible for funding available from the County Capital Improvements Program (CIP) and will request reimbursement from the County thus reducing the dependence on the respective properties reserves and/or the OHPR.

FY 21 Fourth Quarter Operating Budget to Actual Comparison

	Unrestricted Net Cash Flow (12 Months) Budget	(12 Months) Actual	Variance
General Fund			
General Fund	($2,310,757)	($1,062,124)	$1,248,633
Administration of Multifamily and Single Family Fund			
Multifamily Fund	$0	$133,516	$133,516
Draw from / (Restrict to) Multifamily Bond Fund	$0	($133,516)	($133,516)
Single Family Fund	$0	$82,613	$82,613
Draw from / (Restrict to) Single Family Bond Fund	$0	($82,613)	($82,613)
Opportunity Housing Fund			
Opportunity Housing Properties	$2,653,159	$3,201,672	$548,513
Restricted Opportunity Housing Properties with Deficits	($160,716)	$48,389	$209,105
Unrestricted Development Corporations with Deficits	($181,686)	($946,107)	($764,421)
OHRF			
OHRF Balance	$0	$2,387,421	$2,387,421
Excess Cash Flow Restricted	$0	($2,387,421)	($2,387,421)
Draw from existing funds	$0	$0	$0
Net -OHRF	**$0**	**$0**	**$0**
SUBTOTAL - General Fund, Multifamily, Single Family, Opportunity Housing	**$0**	**$1,241,830**	**$1,241,830**
Public Fund			
Public Housing Rental (1)	$0	($79,847)	($79,847)
Housing Choice Voucher Program HAP (2)	$1,174,934	($3,423,500)	($4,598,434)
Housing Choice Voucher Program Admin (3)	$0	$2,185,228	$2,185,228
Total -Public Fund	**$1,174,934**	**($1,318,119)**	**($2,493,053)**
Public Fund - Reserves			
(1) Public Housing Rental - Draw from / Restrict to Program	$0	$79,847	$79,847
(2) Draw from / Restrict to HCV Program Cash Reserves	($1,174,934)	$3,423,500	$4,598,434
(3) Draw from / Restrict to HCV Program Excess Admin Fee	$0	($2,185,228)	($2,185,228)
SUBTOTAL - Public Funds	**$0**	**$0**	**$0**
TOTAL - All Funds	**$0**	**$1,241,830**	**$1,241,830**

FY 21 Fourth Quarter Operating Budget to Actual Comparison

	Capital Expenses (12 Months) Budget	(12 Months) Actual	Variance
General Fund			
880 Bonifant	$255,000	$43,570	$211,430
East Deer Park	$195,000	$84,098	$110,902
Kensington Office	$50,000	$66,394	($16,394)
Information Technology	$532,440	$468,860	$63,580
Opportunity Housing Fund	$7,643,469	$6,549,285	$1,094,184
TOTAL - All Funds	**$8,675,909**	**$7,212,207**	**$1,252,272**

FY 21 Fourth Quarter Operating Budget to Actual Comparison

Development Corp Properties - Net Cash Flow

	(12 Months) Net Cash Flow Budget	Variance Income	Variance Expense	(12 Months) Net Cash Flow Actual	Variance	(12 Months) Net Cash Flow Adjusted
Properties with unrestricted cash flow for FY21 operating budget						
Alexander House Dev Corp	$28,990	($649,442)	($83,189)	($703,641)	($732,631)	($703,641)
The Barclay Dev Corp	($103,325)	($124,974)	$45,067	($183,232)	($79,907)	($183,232)
Glenmont Crossing Dev Corp	$255,344	($89,332)	$113,713	$290,493	$35,149	$290,493
Glenmont Westerly Dev Corp	$21,439	($22,657)	$26,272	$39,926	$18,487	$39,926
Magruder's Discovery Dev Corp	$809,125	$77,344	($70,171)	$816,298	$7,173	$816,298
The Metropolitan Dev Corp	$1,982,646	($293,634)	($11,468)	$1,677,545	($305,101)	$1,677,545
Metropolitan Affordable	($543,342)	($9,857)	$102,291	($450,908)	$92,434	($450,908)
Montgomery Arms Dev Corp	$417,580	($71,397)	($18,981)	$327,202	($90,378)	$327,202
TPM - MPDU II (59) Dev Corp	$300,044	($53,764)	$128,427	$374,707	$74,663	$374,707
Paddington Square Dev Corp	$405,302	($154,143)	($50,610)	$200,549	($204,753)	$200,549
Pooks Hill High-Rise Dev Corp	$595,062	($154,937)	$65,191	$505,316	($89,746)	$505,316
Scattered Site One Dev Corp	$121,882	($180,646)	$248,954	$190,190	$68,308	$105,909
Scattered Site Two Dev Corp	($78,361)	($58,934)	$78,061	($59,234)	$19,127	($59,234)
Sligo MPDU III Dev Corp	$48,375	($24,278)	$4,651	$28,748	($19,627)	$25,248
VPC One Dev Corp	$434,383	($106,766)	$619,193	$946,811	$512,428	$946,811
VPC Two Dev Corp	$350,712	($137,221)	$271,154	$484,644	$133,932	$484,644
Subtotal	**$5,045,856**	**($2,054,638)**	**$1,468,555**	**$4,485,414**	**($560,442)**	**$4,397,633**
Properties with restricted cash flow (external and internal)						
Glenmont Crossing Dev Corp	$128,289	($39,451)	$50,219	$128,289	$0	
Glenmont Westerly Dev Corp	$164,250	($93,208)	$108,080	$164,250	$0	
MetroPointe Dev Corp	($76,760)	($119,830)	($36,297)	($232,887)	($156,127)	
The Metropolitan Dev Corp	$372,244	($55,130)	($2,153)	$314,961	($57,283)	
Oaks at Four Corners Dev Corp	$57,824	($6,006)	$36,125	$87,943	$30,119	
RAD 6 Dev Corp Total	**($322,932)**	**$163,371**	**($45,118)**	**($204,681)**	**$118,251**	
Ken Gar Dev Corp	$41,690	($36,994)	($17,345)	($12,650)	($54,340)	
Parkway Woods Dev Corp	$29,465	($4,763)	$20,603	$45,305	$15,840	
Sandy Spring Meadow Dev Corp	($30,217)	$7,650	$34,755	$12,188	$42,405	
Seneca Ridge Dev Corp	($254,118)	$88,952	$20,800	($144,367)	$109,751	
Towne Centre Place Dev Corp	($33,664)	$59,654	($17,133)	$8,858	$42,522	
Washington Square Dev Corp	($76,088)	$48,872	($86,798)	($114,015)	($37,927)	
Subtotal	**$322,915**	**($150,254)**	**$110,856**	**$257,875**	**($65,040)**	
TOTAL ALL PROPERTIES	**$5,368,771**	**($2,204,892)**	**$1,579,411**	**$4,743,289**	**($625,482)**	

FY 21 Fourth Quarter Operating Budget to Actual Comparison

For Opportunity Housing Properties - Net Cash Flow

	(12 Months) Net Cash Flow Budget	Variance Income	Variance Expense	(12 Months) Net Cash Flow Actual	Variance	(12 Months) Net Cash Flow Adjusted
Properties with unrestricted cash flow for FY21 operating budget						
MPDU I (64)	($92,200)	($61,230)	$186,705	$33,275	$125,475	$33,275
Avondale Apartments	$168,360	($37,107)	$10,744	$141,997	($26,363)	$141,997
Barclay Affordable	($15,774)	$3,888	$90,945	$79,058	$94,832	$0
Brooke Park	$0	$0	($671)	($670)	($670)	($670)
Camp Hill Square	$266,487	$11,832	($154,519)	$123,800	($142,687)	$123,800
Chelsea Towers	($5,319)	$10,011	$87,277	$91,968	$97,287	$91,968
Fairfax Court	$66,254	($20,857)	($10,320)	$35,077	($31,177)	$35,077
Holiday Park	$75,807	($9,858)	($102,241)	($36,292)	($112,099)	($36,292)
Jubilee Falling Creek	($2,242)	($10,318)	$22,941	$10,381	$12,623	$0
Jubilee Hermitage	$2,551	($8,741)	($12,532)	($18,721)	($21,272)	($18,721)
Jubilee Horizon Court	($3,817)	$3,970	$7,829	$7,982	$11,799	$0
Jubilee Woodedge	$4,814	($14,789)	$2,624	($7,351)	($12,165)	($7,351)
The Manor at Cloppers Mill	$104,465	($53,980)	$110,707	$161,192	$56,727	$161,192
The Manor at Colesville	$84,805	($41,903)	$88,642	$131,545	$46,740	$131,545
The Manor at Fair Hill Farm	$122,889	($94,425)	$69,821	$98,285	($24,604)	$98,285
McHome	$50,644	($18,989)	$61,808	$93,463	$42,819	$80,747
McKendree	$26,884	$1,785	$25,812	$54,481	$27,597	$54,481
MHLP VII	$32,362	($7,424)	$72,870	$97,808	$65,446	$76,513
MHLP VIII	$93,136	($101,627)	$125,081	$116,590	$23,454	$101,139
MHLP IX Pond Ridge	($65,203)	($99,812)	$111,678	($53,338)	$11,865	($53,338)
MHLP IX Scattered Sites	($147,447)	($195,532)	$216,424	($126,555)	$20,892	($126,555)
MHLP X	($102,668)	($14,751)	$316,736	$199,316	$301,984	$187,852
MPDU 2007 Phase II	$12,425	$5,604	$14,957	$32,986	$20,561	$32,986
Pooks Hill Mid-Rise	$261,762	($62,798)	$23,771	$222,735	($39,027)	$222,735
Shady Grove Apts	$221,827	$482,704	$92,422	$796,954	$575,127	$756,190
Strathmore Court	$907,072	($284,273)	($133,328)	$489,471	($417,601)	$489,471
Strathmore Court Affordable	($515,275)	($1,538)	($9,164)	($525,977)	($10,702)	($525,977)
TPP LLC Pomander Court	$148,704	($30,325)	($57,104)	$61,275	($87,429)	$61,275
TPP LLC Timberlawn	$564,731	($3,527)	($797)	$560,407	($4,324)	$560,407
Westwood Tower	$585,244	($327,775)	$272,172	$529,641	($55,603)	$529,641
The Willows	($198,119)	$183,279	$262,448	$247,608	$445,727	$0
Subtotal	**$2,653,159**	**($798,506)**	**$1,793,738**	**$3,648,391**	**$995,232**	**$3,201,672**
Properties with restricted cash flow (external and internal)						
The Ambassador	$0	$0	($12,267)	($12,267)	($12,267)	
Bradley Crossing	$0	$582,409	($202,127)	$380,282	$380,282	
Brookside Glen (The Glen)	$142,564	($60,716)	$96,218	$178,066	$35,502	
CDBG Units	$0	($7,424)	$11,191	$3,767	$3,767	
Cider Mill Apartments	($850,912)	$248,058	$283,360	($319,494)	$531,418	
Day Care at 9845 Lost Knife Road	($14,949)	($2,970)	$11,351	($6,568)	$8,381	
Dale Drive	$5,167	($62)	($15,577)	($10,473)	($15,640)	
Diamond Square	$307,681	($23,668)	$63,963	$347,976	$40,295	
Elizabeth House Interim RAD	($17,377)	$807,935	($211,753)	$578,805	$596,182	
Georgian Court Affordable	$106,624	$180,069	$261,859	$548,552	$441,928	
Holly Hall Interim RAD	$0	($418)	($57,504)	($57,922)	($57,922)	
Manchester Manor	$2,968	($48,003)	$2,404	($42,631)	($45,599)	
NCI Units	$0	($15,196)	$15,196	$0	$0	
NSP Units	$0	($7,981)	$7,981	$0	$0	
Olney Sandy Spring Road	($6,681)	$0	($1,697)	($8,378)	($1,697)	
King Farm Village	$5,509	($294)	($2,015)	$3,200	($2,309)	
Paint Branch	$77,257	($770)	($16,176)	$60,311	($16,946)	
Southbridge	$57,604	($26,892)	($21,733)	$8,979	($48,625)	
State Rental Combined	($121,709)	($151,740)	$128,163	($145,285)	($23,576)	
Stewartown Affordable	$43,193	$511,242	($176,801)	$377,634	$334,441	
Subtotal	**($263,061)**	**$1,983,579**	**$164,036**	**$1,884,554**	**$2,147,615**	
TOTAL ALL PROPERTIES	**$2,390,098**	**$1,185,073**	**$1,957,774**	**$5,532,945**	**$3,142,847**	

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

	(12 Months) Budget	(12 Months) Actual	Variance
Public Housing Rental			
Revenue	$0	$238,841	$238,841
Expenses	$0	$318,688	($318,688)
Net Income	**$0**	**($79,847)**	**($79,847)**
Housing Choice Voucher Program			
HAP revenue	$99,707,432	$102,216,697	$2,509,265
HAP payments	$98,532,498	$105,640,197	$7,107,699
Net HAP	**$1,174,934**	**($3,423,500)**	**($4,598,434)**
Restrict to HAP Reserves	($1,174,934)		
Admin.fees & other inc.	$8,285,299	$9,832,115	$1,546,816
Admin. Expense	$8,285,299	$7,646,887	$638,412
Net Administrative	**$0**	**$2,185,228**	**$2,185,228**
Net Income	**$0**	**($1,238,272)**	**($2,413,206)**

FY 21 Fourth Quarter Operating Budget to Actual Comparison

For Public Housing Rental Programs - Net Cash Flow

	(12 Months) Net Cash Flow Budget	Variance Income	Variance Expense	(12 Months) Net Cash Flow Actual	Variance
Elizabeth House	$0	$238,806	($333,680)	($94,874)	($94,874)
Emory Grove	$0	$35	$14,992	$15,027	$15,027
TOTAL ALL PROPERTIES	**$0**	**$238,841**	**($318,688)**	**($79,847)**	**($79,847)**

FY 21 Fourth Quarter Operating Budget to Actual Comparison
For Capital Improvements

	(12 Months) Budget	(12 Months) Actual	Variance
General Fund			
880 Bonifant	$255,000	$43,570	$211,430
East Deer Park	$195,000	$84,098	$110,902
Kensington Office	$50,000	$66,394	($16,394)
Information Technology	$532,440	$468,860	$63,580
Subtotal	**$1,032,440**	**$662,922**	**$369,518**
Opportunity Housing			
Alexander House Dev Corp	$41,570	$29,664	$11,906
Avondale Apartments	$27,900	$1,643	$26,257
The Barclay Dev Corp	$83,900	$94,057	($10,157)
Barclay Affordable	$71,640	$35,866	$35,774
Bradley Crossing	$0	$2,029	($2,029)
Brookside Glen (The Glen)	$57,000	$107,782	($50,782)
Camp Hill Square	$54,400	$31,053	$23,347
CDBG Units	$500	$3,067	($2,567)
Chelsea Towers	$15,550	$475	$15,075
Cider Mill Apartments	$794,092	$1,874,909	($1,080,817)
Day Care at 9845 Lost Knife Road	$0	$1,825	($1,825)
Dale Drive	$8,949	$0	$8,949
Diamond Square	$398,180	$71,738	$326,442
Elizabeth House Interim RAD	$10,100	$7,910	$2,190
Fairfax Court	$56,800	$33,437	$23,363
Georgian Court Affordable	$41,130	$298,608	($257,478)
Glenmont Crossing Dev Corp	$485,500	$81,721	$403,779
Glenmont Westerly Dev Corp	$235,400	$58,236	$177,164
Holiday Park	$27,500	$44,339	($16,839)
Jubilee Hermitage	$500	$10,300	($9,800)
Jubilee Woodedge	$500	$0	$500
Ken Gar Dev Corp	$6,500	$14,295	($7,795)
King Farm Village	$1,800	$0	$1,800
Magruder's Discovery Dev Corp	$68,630	$39,336	$29,294
Manchester Manor	$22,332	$28,346	($6,014)
Manor at Cloppers Mill	$66,017	$89,174	($23,157)
Manor at Colesville	$136,726	$76,890	$59,836
Manor at Fair Hill Farm	$89,579	$111,227	($21,648)
McHome	$100,000	$28,262	$71,738
McKendree	$14,650	$32,532	($17,882)
MetroPointe Dev Corp	$483,760	$128,756	$355,004
The Metropolitan Dev Corp	$556,084	$165,937	$390,147
Metropolitan Affordable	$269,893	$82,170	$187,723
Montgomery Arms Dev Corp	$113,726	$43,589	$70,137
MHLP VII	$22,000	$28,827	($6,827)
MHLP VIII	$44,500	$60,050	($15,550)
MHLP IX - Pond Ridge	$69,516	$106,637	($37,121)
MHLP IX - Scattered Sites	$41,000	$78,283	($37,283)
MHLP X	$70,036	$64,236	$5,800
MPDU 2007 Phase II	$4,000	$803	$3,197
MPDU I (64)	$57,355	$53,501	$3,854
TPM - MPDU II (59) Dev Corp	$62,024	$93,198	($31,174)
Oaks at Four Corners Dev Corp	$306,892	$122,493	$184,399
NCI Units	$2,000	$14,142	($12,142)
NSP Units	$2,000	$116	$1,884
Paddington Square Dev Corp	$108,880	$117,323	($8,443)
Paint Branch	$5,900	$2,697	$3,203
Parkway Woods Dev Corp	$45,040	$9,003	$36,037
Pooks Hill High-Rise Dev Corp	$197,200	$17,705	$179,495
Pooks Hill Mid-Rise	$66,100	$11,070	$55,030
Sandy Spring Meadow Dev Corp	$21,500	$12,950	$8,550
Scattered Site One Dev Corp	$63,000	$270,760	($207,760)
Scattered Site Two Dev Corp	$40,204	$38,933	$1,271
Seneca Ridge Dev Corp	$33,345	$39,667	($6,322)
Shady Grove Apts	$107,105	$193,007	($85,902)
Sligo MPDU III Dev Corp	$22,492	$23,921	($1,429)
Southbridge	$25,904	$9,211	$16,693
State Rental Combined	$177,996	$509,396	($331,400)
Stewartown Affordable	$21,994	$17,979	$4,015
Strathmore Court	$258,463	$252,720	$5,743
Strathmore Court Affordable	$91,343	$43,864	$47,479
Towne Centre Place Dev Corp	$27,060	$37,615	($10,555)
TPP LLC Pomander Court	$16,796	$2,599	$14,197
TPP LLC Timberlawn	$118,943	$66,486	$52,457
VPC One Dev Corp	$103,512	$127,933	($24,421)
VPC Two Dev Corp	$71,860	$148,221	($76,361)
Washington Square Dev Corp	$18,500	$42,535	($24,035)
Westwood Tower	$744,580	$247,674	$496,906
The Willows	$233,621	$54,557	$179,064
Subtotal	**$7,643,469**	**$6,549,285**	**$1,094,184**
TOTAL	**$8,675,909**	**$7,212,207**	**$1,463,702**

M E M O R A N D U M

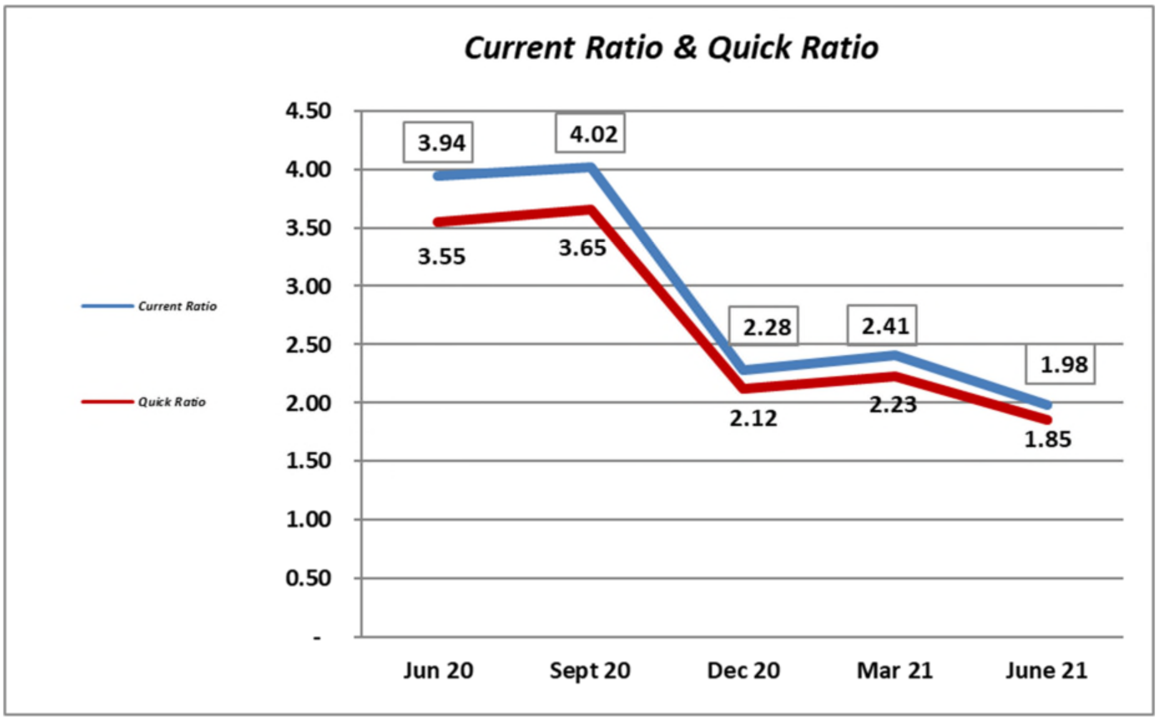
TO:	Housing Opportunities Commission of Montgomery County Budget, Finance and Audit Committee			
VIA:	Kayrine Brown, Acting Executive Director			
FROM:	Staff: Cornelia Kent	Division:	Finance	Ext. 9754
	Eugenia Pascual		Finance	Ext. 9478
	Francisco Vega		Finance	Ext. 4873
	Claudia Wilson		Finance	Ext. 9474
	Niketa Patel		Finance	Ext. 9584
	Nilou Razeghi		Finance	Ext. 9494
RE:	Fiscal Year 2021 (FY'21) Fourth Quarter Un-Audited Financial Statements			
DATE:	September 21, 2021			

Attached, please find the un-audited consolidated financial statements for the Housing Opportunities Commission of Montgomery County (HOC) as of the fiscal year ended June 30, 2021.

<u>Financial Highlights</u>

- The Commission's net position increased by $18.7 million or about 8.7%, attributed primarily to $15.2 million in capital contributions from the closing of Bauer Park Apartment and $15.2 million net proceeds from the sale of Stewartown Homes and Holly Hall Apartments, partially offset by a net loss of $11.7 million for FY'21.

- The Commission's current ratio (ratio of current assets to current liabilities) decreased from 3.94 in June 2020 to 1.98 in June 2021. The quick ratio (the ratio is an indicator of liquidity, reflecting current assets that can be converted to cash within 90 days) also decreased from 3.55 in June 2020 to 1.85 in June 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 3.16 and the quick ratio would be 2.95.



- The Commission's total assets excluding the deferred outflows of resources increased by $350 million or 23.1% since June 30, 2020. This is largely due to an increase in mortgage and construction loans receivable, restricted and unrestricted cash and cash equivalents and net capital assets.

- The overall net increase in total mortgage and construction loans receivable is largely attributed to several Multifamily Housing Development Bonds ("MHDB") and corresponding issuance of mortgages for the acquisition of Westside Shady Grove ("WSSG"), Bauer Park Apartments ("Bauer Park") and Stewartown Homes ("Stewartown"). The Seller Note for Bauer Park and Stewartown, and additional advances from the PNC Bank, N.A. Real Estate Line of Credit ("PNC RELOC") for HOC at Upton II LLC ("Upton II"), contributed to the increase as well. The increase is partially offset by the scheduled principal amortizations and mortgage loan payoffs in both the Single Family Bond Fund ("SF Bond Fund") and the Multifamily Bond Fund ("MF Bond Fund"). Finally, the 900 Thayer LP paid back the draws from the PNC RELOC using the Federal Financing Bank ("FFB") loan proceeds and the Low Income Housing Tax Credit ("LIHTC") investor equity.

- The increase in restricted cash and cash equivalents is driven by the MF Bond Fund, due primarily to the bond proceeds from MHDB 2021 Series A issuance related to WSSG, MHDB 2021 Series B for Stewartown and MHDB 2020 Series A for Bauer Park. The SF Bond Fund increased as well, mainly due to the issuance of Mortgage Revenue Bonds ("MRB") 2021 Series ABC, mortgage-backed securities ("MBS") closing and mortgage loan payoffs. The increase in the General Fund driven by the FFB loan escrow payments from several properties to cover mortgage insurance and loan management fees, partially offset by a decrease in the Opportunity Housing ("OH") Fund and the Public Fund, also accounted for the increase in restricted cash and cash equivalents.

- The increase in capital assets is primarily attributed to the Bradley Crossing, LLC ("Bradley Crossing") acquisition, HOC Fenwick and Second Headquarters ("Fenwick") predevelopment expenses, Brooke Park Apartments ("Brooke Park") renovation costs and Cider Mill Apartments ("Cider Mill") site improvement. In addition to the fiscal year normal depreciation of assets, the increase in capital assets is partially offset by the transfer of HOC at 11250 Veirs Mill Road LLC and HOC at Westside Shady Grove, LLC to discrete component units. Furthermore, Stewartown Homes and Holly Hall Apartments ("Holly Hall") were sold in FY'21, and the Ambassador building was demolished and the land contributed as equity to the Wheaton Venture LLC.

- The increase in unrestricted cash and cash equivalents is attributed primarily to the receipt of settlement proceeds from the sale of Bauer Park and Holly Hall. The increase is also attributed to Elizabeth House III LLC ("EH III") construction cost reimbursements, the WSSG financing fee, the COVID-19 assistance for Housing Choice Voucher Program and the Commission approved fund transfer from the OH Bond Fund to General Fund Operating Reserve.

- The MF Bond Fund outstanding bonds payable increased due to the bond issuance of $99.3 million MHDB 2021 Series A for WSSG, $16.1 million MHDB 2021 Series B for Stewartown and $25.7 million MHDB 2020 Series A for Bauer Park. The MHDB 2020 Series B and C were also issued 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.

- The MF Bond Fund redeemed and retired bonds for $41.9 million under the Multifamily Housing Development Bonds (1996 Indenture), $15.4 million under Multiple Purpose Bonds (2002 Indenture), $0.5 million under the Stand Alone Bond 1998 Issue, $0.9 million under the Multifamily Housing Revenue Bonds (1984 Indenture) and $0.2 million under the Multifamily Housing Bonds (2009 Indenture).

- The increase in the SF Bond Fund outstanding bonds payable is due to the issuance of MRB 2021 Series ABC bonds for $39.8 million. The SF Bond Fund redeemed and retired bonds of about $20.1 million under the 1979 Indenture, $7.3 million under the 2009 Indenture, and $9.4 million under the 2019 Indenture.

- The amount of U.S. Department of Housing and Urban Development ("HUD") Housing Choice Voucher Program, Housing Assistance Revenue received by the Commission increased by 1.35% from $113.6 million in FY'20 to $115.1 million in FY'21.

Overall Agency Net Income (Loss)

The Housing Opportunities Commission ("HOC") has a net income of $18.7 million as of fiscal year ending June 30, 2021 compared to a net loss of $16.3 million for fiscal year ending June 30, 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 $7.4 million as compared to a net loss of $8.1 million for the same period last fiscal year.

		FY 2021		FY 2020
Net Income (Loss)	$	18,668,750	$	(16,262,541)
Less:				
Capital Contributions		(15,185,752)		(1,735,763)
Unrealized (Gain)/Loss on Investments		4,470,525		(7,211,811)
Gain/(Loss) on sale of assets-Non-operating		(15,150,845)		(8,230,038)
Real estate equity transfer In /(out)		(166,727)		25,309,362
Adjusted Net Income (Loss)	$	(7,364,049)	$	(8,130,791)
Amount of Increase (Decrease)	$	766,742		

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 $7.4 million as of the fiscal year ending June 30, 2021 are as follows:

	FY 2021 (in millions)	FY 2020 (in millions)	Variance
Housing Assistance Payments (HAP) Income	$ 115.1	$ 113.6	$ 1.5
Other Federal/State & County Grants	17.5	18.9	(1.4)
Investment Income	7.4	10.0	(2.6)
Interest on Mortgage and Construction Loans Receivable Income	6.3	7.2	(0.9)
Dwelling Rental Income	99.3	97.2	2.1
HAP Expense	(120.3)	(112.8)	(7.5)
Administration Expense	(44.7)	(47.5)	2.8
Maintenance Expense	(24.1)	(24.7)	0.6
Utilities Expense	(7.1)	(6.3)	(0.8)
Fringe Benefits	(16.1)	(19.4)	3.3
Interest Expense	(36.4)	(37.6)	1.2
Depreciation and amortization	(20.8)	(20.1)	(0.7)
Other Income Net of Other Expenses	16.5	13.4	3.2
Adjusted Net Income (Loss)	$ (7.4)	$ (8.1)	$ 0.8

The increase in Housing Assistance Payments ("HAP") – Revenue is primarily attributed to an increase in subsidy in the Main Voucher Program as a result of COVID-19, incoming portables, and the 2017 Mainstream Program. HUD held back about $4.1 million of excess funding from Calendar Year 2020 against the May 2021 funding, to reduce reserves held by HOC, which resulted in a lower HAP revenue in FY'21. The increase in HAP Expense is largely due to the COVID-19, and new programs, an increase in the number of vouchers and the average cost per unit per voucher.

The decrease in the State and County grants is mainly due to Capital Improvement Programs ("CIP") and the McKinney Program, partly offset by new COVID-19 rental assistance program administered by HOC.

The decrease in investment income is primarily attributed to the SF Bond Fund due to a decrease in MBS purchases and lower interest rates. The MF Bond Fund also contributed 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 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 SF Bond Fund and the MF Bond Fund.

The increase in dwelling rental income is mainly due to Cider Mill, Elizabeth House RAD Interim ("Elizabeth House RAD"), The Willows of Gaithersburg Assoc. LP ("Willows"), and Bradley Crossing. 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 ("the five transferred properties") to the OH Fund in November of 2019, also contributed to the increase. The increase was offset by Bad Debt expense in the OH Fund portfolio. Bad debt expense for the twelve-month period July 2020 to June 2021 amounts to about $3.3 million. As of the year-ended June 30, 2021, the tenant receivable balance has increased almost $2.5 million from June 30, 2020, totaling $5,923,588. Staff does anticipate that a portion of this amount will result in additional allowances and the potential for additional allowances to be set up in subsequent months to reflect the continuation of non-payments during the COVID-19 pandemic.

The decrease in administrative expense is mainly driven by a decrease in cost of issuance, and temporary agency services within the OH Fund, a decrease in operating professional and temporary agency services within the General Fund, partially offset by an increase in contract administrative salaries within the OH Fund.

The decrease in maintenance expense is attributed primarily to a decrease in the General Fund miscellaneous contracts related to IT technical services, computer equipment and software expenses, plumbing repairs & maintenance partly reduced by an increase in maintenance salaries. This is partially offset by an increase in the OH Fund contracts for snow removal, plumbing and floor carpeting, appliance equipment, kitchen/plumbing supplies and contract salaries, partly reduced by a decrease in HVAC, exterminating and other miscellaneous contracts.

The increase in utilities is mainly due to water, electricity, and trash collection at Cider Mill, Elizabeth House RAD, Willows and the five transferred properties.

The decrease in fringe benefits is largely due to a decrease in pension expense and other post-employment benefits ("OPEB") based on actuarial study provided by the County. As a participating employer, HOC is required to follow Government Accounting Standards Board ("GASB") Statement 68 and 75 to report HOC's proportionate share of the net pension and OPEB liability.

The decrease in interest expense is largely due to a decrease in SF Bond Fund bonds payable attributed to scheduled and early redemptions, partially offset by an increase in the interest on Bradley acquisition loan.

The increase in other income is primarily due to HAP administrative fees, interest income on mortgage and loans receivables and other grants, partly reduced by property insurance and COVID-19 expenses within various Opportunity Housing properties.

Adjusted Operating Revenue

The revenues from operations, when adjusted for HAP income and unrealized (gain)/loss on investments, decreased $1.8 million for the fiscal year ending June 30, 2021, when compared to fiscal year ending June 30, 2020.

		FY 2021		FY 2020
Total Operating Revenue	$	266,544,476	$	278,503,046
Less:				
Housing Assistance Revenue		(115,115,799)		(113,580,367)
Unrealized (Gain)/Loss on Investments		4,470,525		(7,211,811)
Adjusted Total Operating Revenue	$	155,899,202	$	157,710,868
Amount of Increase (Decrease)	$	(1,811,666)		

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

Adjusted Operating Expenses

The operating expenses, when adjusted for HAP expense decreased by $3.3 million for the year ending June 30, 2021 when compared to last fiscal year.

		FY 2021		FY 2020
Total Operating Expenses	$	281,481,852	$	277,273,338
Less:				
Housing Assistance Payments (HAP)		(120,292,490)		(112,758,509)
Adjusted Total Operating Expenses	$	161,189,362	$	164,514,829
Amount of Increase (Decrease)	$	(3,325,467)		

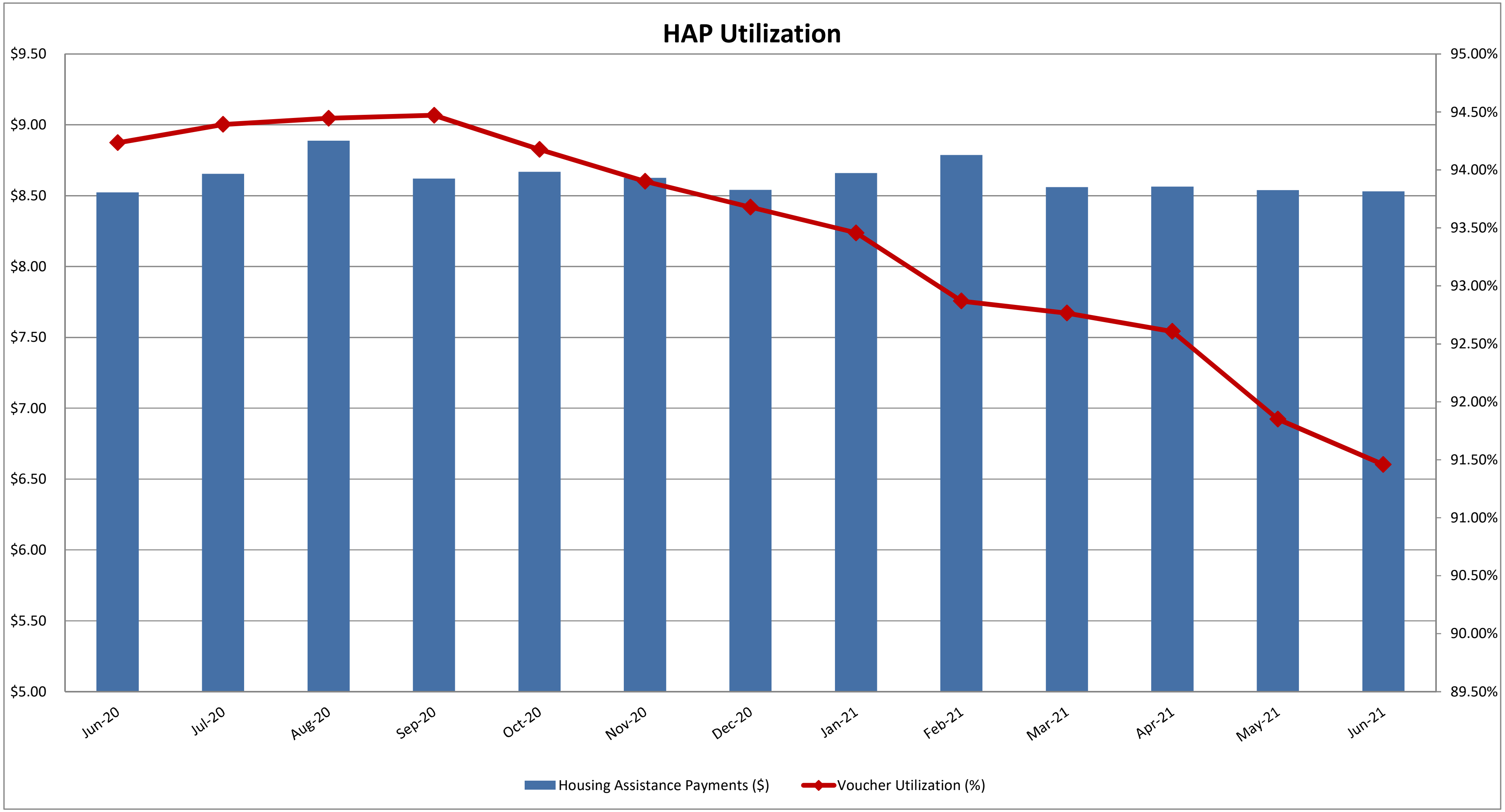
The decrease in adjusted operating expenses is largely due to a decrease in fringe benefits, administration expense, and maintenance partially offset by an increase in depreciation, utilities, interest and other expenses.

Non-Operating Revenues (Expenses)

Non-operating revenues net of non-operating expenses totaled $18.3 million for the fiscal year ending June 30, 2021 as compared to net non-operating revenue of $6.1 million for the same period last year. If we back out the gain on sale of the Chevy Chase Lake townhouse units in FY'20, and the Stewartown and Holly Hall transactions in FY'21, the net non-operating revenue is $3.1 million in FY21 compared to non-operating expense of $2.1 million in FY'20. This year variance is primarily attributed to 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)	$	18,253,648	$	6,081,351
Less:				
Gain/(Loss) on sale of assets-Non-operating		(15,150,845)		(8,230,038)
Adjusted Total Non-Operating Revenues (Expenses)	$	3,102,803	$	(2,148,687)
Amount of Increase (Decrease)	$	5,251,490		

	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21
Housing Assistance Payments ($)	$8,522,788	$8,652,893	$8,887,455	$8,619,755	$8,668,612	$8,626,193	$8,541,232	$8,659,612	$8,786,922	$8,560,105	$8,563,257	$8,538,786	$8,529,026
Voucher Utilization (%)	94.23%	94.39%	94.45%	94.47%	94.18%	93.90%	93.68%	93.46%	92.87%	92.76%	92.61%	91.85%	91.46%
UNITS under LEASE	7,174	7,188	7,192	7,194	7,196	7,175	7,158	7,141	7,097	7,103	7,091	7,033	7,003
HUD Authorized BASE LINE	7,613	7,615	7,615	7,615	7,641	7,641	7,641	7,641	7,642	7,657	7,657	7,657	7,657



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

	Note Num.	FY21	FY20	Dollar Variance	Percentage Variance
Assets and Deferred Outflows					
Current Assets					
Unrestricted:					
Cash and cash equivalents	-1.a.-	$ 114,252,736	$ 83,502,630	$ 30,750,106	36.83%
Advances to component units	-1.b.-	2,292,242	8,232,446	(5,940,204)	(72.16%)
Accounts receivable and other assets	-1.c.-	28,406,935	19,637,938	8,768,997	44.65%
Accrued interest receivable	-1.d.-	10,229,504	10,671,846	(442,342)	(4.14%)
Mortgage and construction loans receivable - curre	-1.e.-	7,891,954	7,526,532	365,422	4.86%
Total unrestricted current assets		**163,073,371**	**129,571,392**	**33,501,979**	25.86%
Restricted cash and cash equivalents and investments:					
Restricted cash and cash equivalents	-1.f.-	223,931,511	108,382,929	115,548,582	106.61%
Restricted short-term investments	-1.g.-	6,590,395	9,892,645	(3,302,250)	(33.38%)
Cash for current bonds payable	-1.h.-	62,991,620	34,305,709	28,685,911	83.62%
Customer deposits		5,165,928	4,436,092	729,836	16.45%
Total restricted cash and cash equivalents and investments		**298,679,454**	**157,017,375**	**141,662,079**	90.22%
Total current assets		**461,752,825**	**286,588,767**	**175,164,058**	61.12%
Noncurrent Assets					
Restricted long-term investments	-1.i.-	167,277,397	200,684,143	(33,406,746)	(16.65%)
Mortgage and construction loans receivable	-1.e.-	513,661,679	382,084,627	131,577,052	34.44%
Capital assets, net of depreciation	-1.j.-	691,220,112	634,700,195	56,519,917	8.90%
Investment in Real Estate Partnerships	-1.k.-	33,441,590	13,320,803	20,120,787	151.05%
Total noncurrent assets		**1,405,600,778**	**1,230,789,768**	**174,811,010**	14.20%
Total Assets		**1,867,353,603**	**1,517,378,535**	**349,975,068**	23.06%
Deferred Outflows of Resources					
Derivatives	-1.l.-	21,902,486	22,534,773	(632,287)	(2.81%)
Fair value of hedging derivatives	-1.l.-	9,606,640	15,099,583	(5,492,943)	(36.38%)
Employer -Related Pension Activities	-1.l.-	43,301,661	22,499,379	20,802,282	92.46%
Employer -Related OPEB Activities	-1.l.-	6,329,917	9,746,187	(3,416,270)	(35.05%)
Total Assets and Deferred Outflows		**$ 1,948,494,307**	**$ 1,587,258,457**	**$ 361,235,850**	22.76%
Liabilities and Net Position					
Current Liabilities					
Accounts payable and accrued liabilities	-1.m.-	$ 126,881,323	$ 20,266,171	$ 106,615,152	526.07%
Accrued interest payable	-1.n.-	12,184,012	9,453,773	2,730,239	28.88%
Loans payable to Montgomery County - current		445,585	378,006	67,579	17.88%
Mortgage notes and loans payable - current	-1.o.-	26,277,026	5,548,014	20,729,012	373.63%
Total current unrestricted liabilities		**165,787,946**	**35,645,964**	**130,141,982**	365.10%
Current Liabilities payable from restricted assets:					
Customer deposit payable		4,240,816	3,606,252	634,564	17.60%
Accrued interest payable	-1.p.-	7,896,462	8,970,621	(1,074,159)	(11.97%)
Bonds payable - current	-1.q.-	55,095,158	25,335,088	29,760,070	117.47%
Total current liabilities payable from restricted assets		**67,232,436**	**37,911,961**	**29,320,475**	77.34%
Total current liabilities		**233,020,382**	**73,557,925**	**159,462,457**	216.78%
Noncurrent Liabilities					
Bonds payable	-1.q.-	612,121,337	515,028,476	97,092,861	18.85%
Mortgage notes and loans payable	-1.o.-	609,587,041	546,675,559	62,911,482	11.51%
Loans payable to Montgomery County		104,585,051	104,827,616	(242,565)	(0.23%)
Deferred revenue	-1.r.-	28,374,987	21,944,106	6,430,881	29.31%
Escrow and other deposits		17,098,350	16,440,785	657,565	4.00%
Net Pension liability		21,355,806	6,318,486	15,037,320	237.99%
Net OPEB liability		19,893,438	19,797,919	95,519	0.48%
Derivative investment - hedging		9,606,640	15,099,583	(5,492,943)	(36.38%)
Total noncurrent liabilities		**1,422,622,650**	**1,246,132,530**	**176,490,120**	14.16%
Total Liabilities		**1,655,643,032**	**1,319,690,455**	**335,952,577**	25.46%
Deferred Inflows of Resources					
Unamortized Pension Net Difference	-1.l.-	44,832,002	33,218,096	11,613,906	34.96%
Deferred Inflows - OPEB	-1.l.-	14,459,638	19,459,021	(4,999,383.00)	(25.69%)
Total Deferred Inflows of Resources		59,291,640	52,677,117	6,614,523	12.56%
Net Position					
Net investment in capital assets		(131,192,411)	(108,608,231)	(22,584,180)	20.79%
Restricted		114,498,572	125,209,337	(10,710,765)	(8.55%)
Unrestricted		250,253,474	198,289,779	51,963,695	26.21%
Total Net Position		**233,559,635**	**214,890,885**	**18,668,750**	8.69%
Total Liabilities and Net Position		**$ 1,948,494,307**	**$ 1,587,258,457**	**$ 361,235,850**	22.76%

Housing Opportunities Commission of Montgomery County, Maryland

Combined Statements of Revenues and Expenses
As of June 30, 2021 and June 30, 2020

	Note Num.	FY21	FY20	Dollar Variance	Percentage Variance
Operating Revenues					
Dwelling rental	-1.aa.-	$ 99,291,396	97,195,902	$ 2,095,495	2.16%
Investment income	-1.bb.-	7,401,324	9,983,462	(2,582,137)	(25.86%)
Unrealized gains (losses) on investment	-1.cc.-	(4,470,525)	7,211,811	(11,682,336)	(161.99%)
Interest on mortgage and construction loans receivable	-1.dd.-	6,257,481	7,200,335	(942,854)	(13.09%)
Management fees and other income	-1.ee.-	15,945,902	16,026,727	(80,825)	(0.50%)
U.S. Department of Housing and Urban Development grants:					
Housing Assistance Payments (HAP)	-1.ff.-	115,115,799	113,580,367	1,535,432	1.35%
HAP administrative fees		9,542,757	8,399,973	1,142,784	13.60%
Other grants		5,537,664	6,333,829	(796,165)	(12.57%)
State and County grants	-1.gg.-	11,922,676	12,570,640	(647,963)	(5.15%)
Total operating revenues		**266,544,476**	**278,503,046**	**(11,958,570)**	(4.29%)
Operating Expenses					
Housing Assistance Payments (HAP)	-1.ff.-	120,292,490	112,758,509	(7,533,981)	(6.68%)
Administration	-1.hh.-	44,673,532	47,496,728	2,823,196	5.94%
Maintenance	-1.ii.-	24,126,892	24,729,701	602,809	2.44%
Depreciation and amortization		20,753,115	20,081,582	(671,533)	(3.34%)
Utilities	-1.jj.-	7,068,693	6,253,441	(815,252)	(13.04%)
Fringe benefits	-1.kk.-	16,100,911	19,373,064	3,272,153	16.89%
Interest expense	-1.ll.-	32,559,768	31,159,600	(1,400,168)	(4.49%)
Other expense	-1.mm.-	15,906,451	15,420,713	(485,739)	(3.15%)
Total operating expenses		**281,481,852**	**277,273,338**	**(4,208,515)**	(1.52%)
Operating income (loss)		**(14,937,377)**	**1,229,707**	**(16,167,083)**	(1314.71%)
Nonoperating Revenues (Expenses)					
Investment Income		857,241	1,583,784	(726,543)	(45.87%)
Interest on mortgage and construction loans receivable		5,854,982	2,519,844	3,335,138	132.35%
Interest expense	-1.ll.-	(3,877,311)	(6,422,301)	2,544,990	(39.63%)
Other grants		267,891	169,986	97,905	57.60%
Gain/(Loss) on Sale of Assets		15,150,845	8,230,038	6,920,807	84.09%
Total nonoperating revenues (expense)		**18,253,648**	**6,081,351**	**12,172,297**	200.16%
Income (loss) before capital contributions		**3,316,272**	**7,311,058**	(3,994,786)	(54.64%)
Transfer from Discrete Component Units		166,727	(25,309,362)	25,476,088	(100.66%)
Capital contributions		15,185,752	1,735,763	13,449,989	774.87%
Net income (loss)		**18,668,750**	**(16,262,541)**	**34,931,291**	(214.80%)
Total Net Position, beginning of year		**214,890,885**	**231,153,425**	(16,262,540)	(7.04%)
Total Net Position, end of year		**$ 233,559,635**	**214,890,885**	**$ 18,668,750**	8.69%

Housing Opportunities Commission of Montgomery County
Combined Statement of Net Position
As of June 30, 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	$ 49,051,509	$ 54,204,576	$ 7,766,098	$ 1,280,866	$ 1,949,687	$ -	$ 114,252,736	$ 83,502,630
Interfund Receivable	-	15,845,131	6,017,736	-	-	(21,862,867)	-	-
Advances to Component Units	2,084,198	208,043	-	-	-	-	2,292,242	8,232,446
Accounts Receivable and Other Assets	5,810,023	15,398,246	6,430,654	433,818	334,194	-	28,406,935	19,637,938
Accrued Interest Receivable	4,884,288	4,246,515	-	873,245	1,188,396	(962,940)	10,229,504	10,671,846
Mortgage & Construction Loans Receivable, Current	4,487,254	83,756	-	3,966,738	9,800,274	(10,446,068)	7,891,954	7,526,532
Total Unrestricted Current Assets	**66,317,273**	**89,986,266**	**20,214,488**	**6,554,667**	**13,272,551**	**(33,271,874)**	**163,073,371**	**129,571,392**
Restricted Cash and Cash Equivalents nd Investments:								
Restricted Cash and Cash Equivalents	1,831,393	43,357,199	1,412,457	58,589,668	118,740,794	-	223,931,511	108,382,929
Restricted Short-Term Investments	-	-	-	6,590,395	-	-	6,590,395	9,892,645
Restricted for Current Bonds Payable	-	-	-	46,867,770	16,123,850	-	62,991,620	34,305,709
Restricted for Customer Deposits	-	3,501,888	1,664,040	-	-	-	5,165,928	4,436,092
Total Restricted Cash and Cash Equivalents for Investments	**1,831,393**	**46,859,087**	**3,076,497**	**112,047,833**	**134,864,644**	**-**	**298,679,454**	**157,017,375**
Total Current Assets	**68,148,666**	**136,845,353**	**23,290,985**	**118,602,500**	**148,137,195**	**(33,271,874)**	**461,752,825**	**286,588,767**
Noncurrent assets:								
Restricted Long - Term Investments	-	-	-	102,438,760	64,838,637	-	167,277,397	200,684,143
Mortgage & Construction Loans Receivable, Net of Current Portion	463,009,486	127,715,289	2,005,615	43,290,873	375,399,272	(497,758,854)	513,661,679	382,084,627
Capital Assets, Net of Depreciation	10,660,819	674,753,608	5,805,685	-	-	-	691,220,112	634,700,195
Leased Property Under Capital Lease, Net of Amortization	-	-	-	-	-	-	-	-
Investment in Component Units	2,073,221	31,368,368	-	-	-	-	33,441,589	13,320,803
Total Noncurrent Assets	**475,743,526**	**833,837,264**	**7,811,300**	**145,729,633**	**440,237,909**	**(497,758,854)**	**1,405,600,778**	**1,230,789,768**
Deferred Outflows of Resources								
Derivatives	-	21,902,484	-	-	-	-	21,902,484	22,534,773
Fair Value of Hedging Derivatives	-	2,390,390	-	698,809	6,517,443	-	9,606,642	15,099,583
Employer -Related Pension Activities	24,699,176	4,210,972	14,391,513	-	-	-	43,301,661	22,499,379
Employer -Related OPEB Activities	4,577,769	318,331	1,433,817	-	-	-	6,329,917	9,746,187
Total Assets and Deferred Outflows	**573,169,136**	**999,504,795**	**46,927,615**	**265,030,942**	**594,892,547**	**(531,030,728)**	**1,948,494,307**	**1,587,258,457**

Housing Opportunities Commission of Montgomery County
Combined Statement of Net Position
As of June 30, 2021

Liabilities and Net Position	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								
Current Liabilities								
Accounts Payable and Accrued Liabilities	7,437,609	12,279,683	2,228,126	884,938	104,050,966	-	126,881,323	20,266,171
Interfund Payable	21,473,354	-	-	262,238	127,275	(21,862,867)	-	-
Accrued Interest Payable	-	13,146,951	-	-	-	(962,940)	12,184,012	9,453,773
.Loans Payable to Montgomery County - Current	-	445,585	-	-	-	-	445,585	378,006
.Mortgage Notes and Loans Payable-Current	4,096,400	32,626,693	-	-	-	(10,446,068)	26,277,026	5,548,014
.Derivative Investment - Hedging	-	-	-	-	-	-	-	-
Total Current Unrestricted Liabilities	**33,007,363**	**58,498,912**	**2,228,126**	**1,147,176**	**104,178,241**	**(33,271,874)**	**165,787,945**	**35,645,964**
Current Liabilities Payable from Restricted Assets:								
Customer Deposits Payable	-	3,102,295	1,138,521	-	-	-	4,240,816	3,606,252
.Accrued Interest Payable	-	-	-	2,477,771	5,418,691	-	7,896,462	8,970,621
Bonds Payable-Current	-	-	-	44,390,000	10,705,158	-	55,095,158	25,335,088
Total Current Liabilities Payable from Restricted Assets	**-**	**3,102,295**	**1,138,521**	**46,867,771**	**16,123,850**	**-**	**67,232,437**	**37,911,961**
Total Current Liabilities	**33,007,363**	**61,601,207**	**3,366,648**	**48,014,947**	**120,302,091**	**(33,271,874)**	**233,020,382**	**73,557,925**
Non-Current Liabilities								
Bonds Payable	-	-	-	180,187,403	431,933,934	-	612,121,337	515,028,476
Mortgage Notes and Loans payable	396,419,477	710,926,419	-	-	-	(497,758,854)	609,587,041	546,675,559
Loans payable to Montgomery County	26,171,224	78,413,827	-	-	-	-	104,585,051	104,827,616
Unearned Revenue	16,058,570	9,059,417	3,257,001	-	-	-	28,374,987	21,944,106
Escrow and Other Deposits	14,884,513	-	-	-	2,213,837	-	17,098,350	16,440,785
Net Pension liability	12,621,634	2,072,755	6,661,417	-	-	-	21,355,806	6,318,486
Net OPEB liability	9,250,335	1,179,857	9,463,245	-	-	-	19,893,438	19,797,919
Derivative Investment - Hedging	-	2,390,388	-	698,809	6,517,443	-	9,606,640	15,099,583
Total Noncurrent Liabilities	**475,405,753**	**804,042,663**	**19,381,663**	**180,886,212**	**440,665,214**	**(497,758,854)**	**1,422,622,650**	**1,246,132,530**
Total Liabilities	**508,413,115**	**865,643,870**	**22,748,311**	**228,901,159**	**560,967,305**	**(531,030,728)**	**1,655,643,032**	**1,319,690,455**
Deferred Inflows of Resources								
Unamortized Pension Net Difference	28,416,318	3,554,192	12,861,492	-	-	-	44,832,002	33,218,096
Deferred Inflows - OPEB	8,218,784	1,104,204	5,136,650	-	-	-	14,459,637	19,459,021
Total Deferred Inflows of Resources	36,635,102	4,658,396	17,998,142	-	-	-	59,291,640	52,677,117
Net Position								
Net investment in Capital assets	10,660,819	(147,658,916)	5,805,685	-	-	-	(131,192,411)	(108,608,231)
Amounts Restricted for:								
Debt Service	-	43,357,199	-	34,848,918	31,975,555	-	110,181,671	119,132,001
Customer deposits and other	-	399,593	1,937,975	-	-	-	2,337,569	5,097,932
Closing cost assistance program and other	1,979,332	-	-	-	-	-	1,979,332	979,404
Unrestricted (deficit)	15,480,768	233,104,653	(1,562,499)	1,280,866	1,949,687	-	250,253,475	198,289,779
Total net position	**28,120,919**	**129,202,528**	**6,181,162**	**36,129,784**	**33,925,242**	**-**	**233,559,635**	**214,890,885**
Total Liabilities, Deferred Inflows and Net Position	**573,169,136**	**999,504,795**	**46,927,615**	**265,030,942**	**594,892,547**	**(531,030,728)**	**1,948,494,307**	**1,587,258,457**

Housing Opportunities Commission of Montgomery County, Maryland
Combining Statement of Revenue and Expenses
For the Fiscal Year Ended June 30, 2021 (with comparative totals for the Fiscal Year Ended June 30, 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	$ 288	$ 98,549,114	$ 741,995	$ -	$ -	$ -	$ 99,291,396	$ 97,195,902
Investment Income	-	-	-	4,702,128	2,699,196	-	7,401,324	9,983,462
Unrealized Gains (Losses) on Investments	-	-	-	(3,953,456)	(517,068)	-	(4,470,525)	7,211,811
Interest on Mortgage & Construction Loans Receivable	-	-	-	2,193,728	12,390,208	(8,326,455)	6,257,481	7,200,335
Management Fees and Other Income	23,531,820	7,017,053	1,993,986	-	-	(16,596,956)	15,945,902	16,026,727
U.S. Department of Housing and Urban Developement Grants:								
Housing Assistance Payments (HAP)	-	-	115,115,799	-	-	-	115,115,799	113,580,367
HAP Administrative Fees	-	-	9,542,757	-	-	-	9,542,757	8,399,973
Other Grants	347,696.84	-	5,189,967	-	-		5,537,664	6,333,829
State and County Grants	-	-	11,922,676	-	-	-	11,922,676	12,570,640
Total Operating Revenues	**23,879,804**	**105,566,166**	**144,507,181**	**2,942,400**	**14,572,335**	**(24,923,412)**	**266,544,476**	**278,503,046**
Operating Expenses								
Housing Assistance Payments	-	-	120,292,490	-	-	-	120,292,490	112,758,509
Administration	13,751,450	17,324,183	16,881,077	1,614,594	2,005,902	(6,903,674)	44,673,532	47,496,728
Maintenance	2,996,046	21,115,275	15,572	-	-	-	24,126,892	24,729,701
Depreciation and amortization	481,350	19,978,687	293,077	-	-	-	20,753,115	20,081,582
Utilities	157,512	6,641,017	270,164	-	-	-	7,068,693	6,253,441
Fringe Benefits	8,218,415	3,780,498	3,779,545	119,113	203,339	-	16,100,911	19,373,064
Interest expense	-	24,759,264	-	4,328,378	11,798,582	(8,326,455)	32,559,768	31,159,600
Other Expense	2,783,087	16,536,837	5,840,003	439,807	-	(9,693,282)	15,906,451	15,420,713
Total operating expenses	**28,387,860**	**110,135,761**	**147,371,928**	**6,501,891**	**14,007,824**	**(24,923,412)**	**281,481,852**	**277,273,338**
Operating Income (loss)	**(4,508,057)**	**(4,569,595)**	**(2,864,747)**	**(3,559,490)**	**564,512**	**-**	**(14,937,377)**	**1,229,708**
Nonoperating Revenues (Expenses)								
.Investment Income	519,230	333,558	4,452	-	-		857,241	1,583,784
Interest on Mortgage and Construction Loans Receivable	10,934,760	918,006	-	-	-	(5,997,784)	5,854,982	2,519,844
.Interest Expense	(9,242,807)	(632,287)	-	-	-	5,997,784	(3,877,311)	(6,422,301)
Other Grants	-	267,891	-	-	-	-	267,891	169,986
Gain/(Loss) on Sale of Assets	-	11,695,588	3,455,257	-	-	-	15,150,845	8,230,038
Total nonoperating revenues (expenses)	**2,211,183**	**12,582,756**	**3,459,709**	**-**	**-**	**-**	**18,253,648**	**6,081,351**
Income (loss) before capital contributions and transfers	**(2,296,874)**	**8,013,162**	**594,962**	**(3,559,490)**	**564,512**	**-**	**3,316,272**	**7,311,059**
Transfer To/(From) Discrete Component Units	-	166,727	-	-	-	-	166,727	(25,309,362)
Capital contributions/(distributions)	-	15,327,366	-	-	(141,614)	-	15,185,752	1,735,763
Operating transfers in (out)	530,720	(224,564)	-	-	(306,156)	-	-	-
Change in Net Position	**$ (1,766,154)**	**23,282,691**	**$ 594,962**	**$ (3,559,490)**	**$ 116,742**	**$ -**	**$ 18,668,750**	**$ (16,262,540)**
Total Net Position, Beginning of Year	**29,887,073**	**105,919,838**	**5,586,200**	**39,689,274**	**33,808,500**	**-**	**214,890,885**	**231,153,425**
Total Net Position, End of Year	**28,120,919**	**129,202,529**	**6,181,162**	**36,129,784**	**33,925,242**	**-**	**233,559,635**	**214,890,885**

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	114,252,736	83,502,630	30,750,106	36.83%

The increase in cash and cash equivalents is attributed primarily to the net proceeds from the sale of Bauer Park Apartments ($15.1M) and Holly Hall Apartments ($5.8M). In addition, the Elizabeth House III reimbursements for capital expenses ($2.1M), the Westside Shady Grove financing fee ($2.0M), the COVID-19 assistance for Housing Choice Voucher Program ($1.4M), as well as the Commission approved fund transfer from the OH Bond Fund ($4.3M) to General Fund Operating Reserve also contributed to this increase.

- 1.b. -	Advances to Component Units	2,292,242	8,232,446	(5,940,204)	(72.16%)

The decrease in advances to component units is mainly due to Elizabeth House III LP, HOC at Westside Shady Grove LLC, 900 Thayer LP, Tanglewood and Sligo LP and South County Regional Recreation & Aquatic Center (SCRRAC) due to the timing of the payment and reimbursement of capital expenses.

- 1.c. -	Accounts receivable and other assets	28,406,935	19,637,938	8,768,997	44.65%

The increase in accounts receivable and other assets is largely due to the timing of the transfer by the settlement company to HOC of the excess cash proceeds from the sale of the Stewartown property and the remittance of funds to PNC Bank to pay off the Stewartown PNC Bank, N.A. Real Estate Line of Credit (PNC RELOC). The settlement occurred towards the close of business on June 30, 2021 and the fund transfers were completed on July 1, 2021. The increase is also attributed to prepaid expenses, which include property and liability insurance, annual licenses and maintenance contracts for various software applications as well as insurance claims receivables. The Public Fund also contributed to the increase in account receivables attributable to Incoming Portables and outstanding Montgomery County invoices.

- 1.d. -	Accrued Interest receivable	10,229,504	10,671,846	(442,342)	(4.14%)

The decrease in accrued interest receivable is largely attributed to a decrease in the CCL Multifamily LLC (Lindley) and Alexander House excess interest escrow due to a partial principal repayment of the PNC Line of Credit (PNC LOC) and interest related to the swap termination fees. This decrease is partially offset by an increase in 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**	**7,891,954**	**7,526,532**	**365,422**	**4.86%**
- 1.e. -	**Mort. & const. loans receivable – non-current**	**513,661,679**	**382,084,627**	**131,577,053**	**34.44%**
	Total	**521,553,633**	**389,611,159**	**131,942,474**	**33.87%**

The overall net increase in total mortgage and construction loans receivable is mainly attributed to the increase in the Multifamily Bond Fund due to the $99.3 million Multifamily Housing Development Bonds (MHDB) 2021 Series-A bond issue for the Westside Shady Grove closing, $25.7 million MHDB 2020 Series-A for Bauer Park Apartments, and $16.0 million MHDB 2021 Series-B for HOC at Stewartown Homes LLC. The $7.1 million Seller Note and Seller Sponsor loan to Bauer Park Apartments LP and $9.0 million Seller Note from HOC at Stewartown Homes LLC contributed to the increase as well. Furthermore, HOC at Upton II LLC made additional advances from the PNC RELOC for construction costs. The increase in mortgage and construction receivables is partially offset by the scheduled principal amortizations and mortgage loan payoffs in both the Single Family Bond Fund and the Multifamily Bond Fund. Finally, the 900 Thayer LP paid back the draws from the PNC RELOC using the Federal Financing Bank ("FFB") loan proceeds and the LIHTC investor equity.

- 1.f. -	**Restricted cash and cash equivalents**	**223,931,511**	**108,382,929**	**115,548,582**	**106.61%**

The increase in restricted cash and cash equivalents is mainly due to Multifamily Bond Fund attributable to the bond proceeds not yet drawn from the new MHDB bonds issued for Westside Shady Grove and Bauer Park Apartments transactions. The Single Family Bond Fund increased as well, due primarily to the funds received from the issuance of Mortgage Revenue Bonds (MRB) 2021 ABC bond funds and mortgage-backed securities (MBS) closing and mortgage loan payoffs. The increase in the General Fund, driven by the FFB loan escrow payment from several properties to cover mortgage insurance and loan management fees offset by a decrease in the Opportunity Housing Fund and the Public Fund restricted cash also accounted for this year's variance.

- 1.g. -	**Restricted short–term investments**	**6,590,395**	**9,892,645**	**(3,302,250)**	**(33.38%)**

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

- 1.h. -	**Cash for current bonds payable**	**62,991,620**	**34,305,709**	**28,685,911**	**83.62%**

The increase in cash for current bonds payable is due to an increase in current maturing bonds within the Single Family Bond Fund.

-1.i.-	**Restricted long-term investments**	**167,277,397**	**200,684,143**	**(33,406,746)**	**(16.65%)**

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

		FY'21	FY'20	Dollar Variance	Percentage Variance
-1.j.-	**Capital assets, net of depreciation**	**691,220,112**	**634,700,195**	**56,519,918**	**8.90%**

The increase in capital assets is primarily attributed to the acquisition of Bradley Boulevard properties, additional predevelopment expenses at HOC Fenwick and Second Headquarters, renovation expenses at Brooke Park Apartments, as well as site improvement at Cider Mill Apartments. This increase is partially offset by the transfer of HOC at 11250 Veirs Mill LLC and HOC at Westside Shady Grove, LLC to discrete component units, the sale of Stewartown Homes and Holly Hall Apartments and the capital contribution of the HOC Ambassador Condominium unit to the Wheaton Venture LLC, along with the fiscal year normal depreciation of assets.

- 1.k. -	**Investment in Real Estate Partnership**	**33,441,590**	**13,320,803**	**20,120,787**	**151.05%**

The increase in Investment in real estate partnership is primarily due to equity contributions of HOC at Wheaton Gateway, LLC to Wheaton Venture LLC, HOC MM at Westside Shady Grove LLC to Westside Shady Grove LLC and HOC at Hillandale Gateway LLC to Hillandale Gateway LLC.

-1.l.-	**Deferred outflows – Derivatives**	**21,902,486**	**22,534,773**	**(632,287)**	**(2.81%)**
-1.l.-	**Deferred outflows – hedging derivatives**	**9,606,640**	**15,099,583**	**(5,492,943)**	**(36.38%)**
-1.l.-	**Deferred outflows – Employer pension**	**43,301,661**	**22,499,379**	**20,802,282**	**92.46%**
-1.l.-	**Deferred outflows – OPEB contribution**	**6,329,917**	**9,746,187**	**(3,416,270)**	**(35.05%)**
	Total	**81,140,704**	**69,879,922**	**11,260,782**	**16.11%**

As of June 30, 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 $698,809 in the Single Family Bond Fund, $6,517,443 in the Multifamily Bond Fund and $2,390,388 in the Opportunity Housing Fund ($486,614 Upton II Construction Loan, $1,903,776 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 $21,902,486 reported as deferred Outflows of resources as of June 30, 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**	**126,881,323**	**20,266,171**	**106,615,152**	**526.07%**

The increase in accounts payable and accrued liabilities is mainly due to an increase in the Multi Family Bond Fund due to the bond proceeds not yet drawn for HOC at Westside Shady Grove LLC, HOC at Stewartown Homes LLC and Bauer Park Apartments LP.

		FY'21	FY'20	Dollar Variance	Percentage Variance
-1.n. -	**Accrued interest payable – unrestricted**	**12,184,012**	**9,453,773**	**2,730,238**	**28.88%**

The increase in accrued interest payable - unrestricted is largely attributable to MV Gateway II LLC (Cafritz loan), Bradley Crossing, LLC, 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**	**26,277,026**	**5,548,014**	**20,729,012**	**373.63%**
- 1.o. -	**Mortgage notes and loans payable-noncurrent**	**609,587,041**	**546,675,559**	**62,911,483**	**11.51%**
	Totals	**635,864,067**	**552,223,573**	**83,640,494**	**15.15%**

The increase in total mortgage notes and loans payable is largely due to new acquisition loan for Bradley Crossing LLC and additional draws from the two PNC line of credit facilities for HOC at Upton II LLC, Brooke Park Apartments, MV Affordable Housing Assoc. LP (Stewartown), HOC Fenwick and MPDU 64. In addition, 900 Thayer LP repaid the PNC construction loan from the proceeds of a permanent loan with FFB and the LIHTC investor equity. A portion of the PNC LOC draws for the CCL Multifamily LLC and Alexander House swap termination fees were also paid back.

-1.p. -	**Accrued interest payable – restricted**	**7,896,462**	**8,970,621**	**(1,074,159)**	**(11.97%)**

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

- 1.p.-	**Bonds payable - current**	**55,095,158**	**25,335,088**	**29,760,070**	**117.47%**
- 1.p.-	**Bonds payable - noncurrent**	**612,121,337**	**515,028,476**	**97,092,861**	**18.85%**
	Totals	**667,216,495**	**540,363,564**	**126,852,931**	**23.48%**

The increase in the total outstanding bonds payable is a largely due to new bond issues under both the Multifamily Bond Fund and the Single Family Bond Fund partly reduced by bond redemptions and scheduled amortizations under both bond funds.

The Multifamily Bond Fund increased due to the issuance of MHDB 2021 Series A bonds for $99.3 million for Westside Shady Grove, LLC, MHDB 2021 Series B bonds for $16.1 million for HOC at Stewartown Homes LLC and MHDB 2020 Series A bonds for $25.7 million for Bauer Park Apartments. MHDB 2020 Series B and C bonds was also issued 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. The increase in the Single Family Bond Fund is due to the issuance of Mortgage Revenue Bonds 2021 Series ABC bonds for $39.8 million.

This increase is partially offset by bond redemptions and scheduled amortization of $41.9 million under the Multifamily Housing Development Bonds (1996 Indenture), $15.4 million under Multiple Purpose Bonds (2002 Indenture), $0.5 million under the Stand Alone Bond 1998 Issue, $0.9 million under the Multifamily Housing Revenue Bonds (1984 Indenture) and $0.2 million under the Multifamily Housing Bonds (2009 Indenture). The decrease in the Single Family Bond Fund is driven by scheduled and early bond redemptions of about $20.1 million under the 1979 Indenture, $7.3 million under the 2009 Indenture, and $9.4 million under the 2019 Indenture.

		FY'21	FY'20	Dollar Variance	Percentage Variance
1.aa.	**Dwelling Rental**	**99,291,396**	**97,195,902**	**2,095,495**	**2.16%**

The increase in dwelling rental income is mainly due to the rental increases from HOC – Cider Mill Apartments, Elizabeth House RAD Interim, The Willows of Gaithersburg Assoc. LP, and Bradley Crossing LLC. The addition of Strathmore Court LP, Metropolitan of Bethesda LP, Georgian Court Silver Spring LP, Barclay One Associates LP and MV Affordable Housing LP (the five former tax credit properties) to the Opportunity Housing Fund in November of 2019 also contributed to the increase. The increase was offset by Bad Debt expense in the Opportunity Housing portfolio. Bad debt expense for the twelve-month period July 2020 to June 2021 amounts to about $3.3 million. As of the year-ended June 30, 2021 the tenant receivable balance has increased almost $2.5 million from June 30, 2020, totaling $5,923,588. Staff does anticipate that a portion of this amount will result in additional allowances and the potential for additional allowances to be set up in subsequent months to reflect the continuation of non-payments during the COVID-19.

-1.bb. -	**Investment Income**	**7,401,324**	**9,983,462**	**(2,582,137)**	**(25.86%)**

The decrease in investment income is primarily attributed to the Single Family Bond Fund due to a decrease in MBS purchases (mortgage-backed securities) and lower interest rates. The Multifamily Bond Fund also contributed to the decrease 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.

-1.cc. -	**Unrealized gains (losses) on investment**	**(4,470,525)**	**7,211,811**	**(11,682,336)**	**(161.99%)**

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**	**6,257,481**	**7,200,335**	**(942,854)**	**(13.09%)**

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**	**15,945,902**	**16,026,727**	**(80,825)**	**(0.50%)**

The decrease in management fees and other income is mainly due to the decrease in development fee income partially offset by an increase in asset management fees, insurance income from FHA risk sharing and commitment fee income.

- 1.ff. -	**Housing Assistance Payments – Revenue**	**115,115,799**	**113,580,367**	**1,535,432**	**1.35%**
- 1.ff. -	**Housing Assistance Payments – Expense**	**120,292,490**	**112,758,509**	**7,533,981**	**6.68%**

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, incoming portables, and the 2017 Mainstream Program. HUD held back about $4.1 million of excess funding for CY'20 against the May 2021 HAP funding to reduce the reserves held by HOC which resulted in a reduced HAP revenue in FY'21. 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**	**11,922,676**	**12,570,640**	**(647,963)**	**(5.15%)**

The decrease in the State and County grants is mainly due to Capital Improvement Programs (CIP) and the McKinney Program partly offset by new COVID-19 rental assistance program.

-1.hh. -	**Administration**	**44,673,532**	**47,496,728**	**(2,823,196)**	**(5.94%)**

The decrease in administrative expense is mainly driven by a decrease in cost of issuance, and temporary agency services within the Opportunity Housing fund, a decrease in operating professional services and temporary agency services within the General Fund, partly reduced by an increase in contract administrative salary within the Opportunity Housing Fund.

-1.ii. -	**Maintenance**	**24,126,892**	**24,729,701**	**(602,809)**	**(2.44%)**

The decrease in maintenance expense is mainly driven by a decrease in the General Fund miscellaneous contracts related to IT technical services, computer equipment and software expenses, plumbing repairs & maintenance partly reduced by an increase in salary maintenance. This is partially offset by an increase in the Opportunity Housing Fund contracts for snow removal, plumbing and floor carpeting, appliance equipment, kitchen/plumbing supplies and contract salary, partly reduced by a decrease in HVAC, exterminating and other miscellaneous contracts.

-1.jj.-	**Utilities**	**7,068,693**	**6,253,441**	**815,252**	**13.04%**

The increase in Utilities is largely driven by water, electricity and trash collection expenses at the Cider Mill Apartments, Elizabeth House RAD Interim Property, The Willows of Gaithersburg Assoc., LP, and the five former tax credit properties.

-1.kk.-	**Fringe benefits**	**16,100,911**	**19,373,064**	**(3,272,153)**	**(16.89%)**

The decrease in fringe benefits is largely due to a decrease in pension expense and other post-employment benefits, as a result of June 30, 2020 actuarial study provided by the County to HOC.

The pension expense consists of the annual 20-year level dollar amortization of Unfunded Actuarial Accrued Liability paid to the County in July 2017 and the change in the Commission's proportionate share of the Net Pension Liability as of June 30, 2020 provided by the County. The Commission pays into the plan based on funding decisions made by the County for the Plan as a whole. Under accounting standards, pension expense is calculated based on several factors including the value of Plan assets, funding and contributions made.

Beginning July 1, 2017, the County implemented GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. As a participating employer, the Agency is required to report under GASB 75 effective FY'18. The OPEB amount reflects the difference between the Agency's proportionate share of OPEB expense and the actual contribution made subsequent to measurement date.

		FY'21	FY'20	Dollar Variance	Percentage Variance
-1.ll.-	**Interest Expense - operating**	32,559,768	31,159,600	1,400,168	4.49%
-1.ll.-	**Interest Expense –non-operating**	3,877,311	6,422,301	(2,544,990	(39.63%)
	Totals	36,437,079	37,581,901	(1,144,822)	(3.05%)

The decrease in interest expense is driven by a decrease in the Single Family bonds payable due to scheduled and early redemptions, partially offset by an increase in the interest on Bradley Crossing acquisition loan.

- 1.mm -	**Other Expense**	15,906,451	15,420,713	485,739	3.15%

The increase in other expense is primarily due to property, liability, and mortgage insurance, and COVID- 19 expenses within various Opportunity Housing properties.

MEMORANDUM

TO:	Housing Opportunities Commission of Montgomery County Budget, Finance and Audit Committee			
VIA:	Kayrine Brown, Acting Executive Director			
FROM:	Staff:	Cornelia Kent Terri Fowler Tomi Adebo	Division: Finance	Ext. 9754 Ext. 9507 Ext. 9472
RE:	**Fiscal Year 2022 (FY'22) First Quarter Budget Amendment:** Presentation of the FY'22 First Quarter Budget Amendment			
DATE:	September 21, 2021			

BACKGROUND:
The HOC Budget Policy provides that the Acting Executive Director proposes budget amendments for the Commission to consider, which may better reflect the revenues and expenses for the remainder of the year.

ISSUES FOR CONSIDERATION:

Operating Budget Amendments: Attachment 1-1 details the amendment. Below are descriptions of the proposed amendments:

- **General Fund:**

  - **Facilities Capital Rollover:** The FY'22 First Quarter Budget Amendment requests authorization to rollover $255,000 ($60,000 + $195,000) of unspent capital funds for work at East Deer Park and 880 Bonifant to cover planned capital expenses that were not completed in FY'21. Operating cash to fund for these expenditures was restricted at the end of FY'21 in anticipation of this rollover request. This budget amendment identifies the restricted cash as the source for the expenditures and will be reflected in the FY'22 operating budget as a transfer in and transfer out of existing cash. Both income and expenses in the General Fund will increase by $255,000 to reflect the source and use of the funds to pay for the capital expenditures.

  - **Information Technologies (IT) Capital Rollover:** The FY'22 First Quarter Budget Amendment requests authorization to rollover $63,580 of unspent capital funds for IT to cover planned capital expenses that were not completed in FY'21. Operating cash to fund for these expenditures was restricted at the end of FY'21 in anticipation of this rollover request. This budget amendment identifies the restricted cash as the source for the expenditures and will be reflected in the FY'22 operating budget as a transfer in and transfer out of existing cash. Both income and expenses in the General Fund will increase by $63,580 to reflect the source and use of the funds to pay for the capital expenditures.

- **Strengthening the Implementation of Responsible Fatherhood Programs (SIRF) Study**: The Fatherhood Initiative Program has recently been selected out of 100 grantees to be one of the 15 to participate in the National SIRF Study. The Study works closely with programs to identify and overcome the challenges they face, such as recruiting fathers, enrolling them in services, and keeping them actively engaged in services so they can realize their goals. In the study, HOC's Fatherhood Initiative Program will focus on case management and taking the coaching stance. As part of the study, $125k has been awarded to the program for training as well as extra staff in efforts to implement the coaching stance. Income and expenses in the General Fund will be increased by a $125,000 to incorporate the award into the Agency's budget.

- **Bradley Crossing:** On June 1, 2021 HOC acquired Bradley Crossing. The property will pay HOC an Asset Management Fee of $192,960 from the property to support Agency overhead, which is reflected as income in the General Fund (See Opportunity Housing Fund). Income in the General Fund will increase by $192,960.

- **Opportunity Housing Fund:**

  - **Bradley Crossing:** On June 1, 2021 HOC acquired Bradley Crossing which is comprised of three properties located in south Bethesda with seven buildings and 402 units. The property is managed by Aldon management Corporation. HOC implemented the following affordability restrictions for the property: 30% of the units (121 units) at or below 80% of the Washington, DC Metropolitan Area median income (AMI), and an additional 20% of the units (81 units) at or below 50% of the AMI. Although anticipated cash flow of $991,074 from the property will be restricted for FY'22, HOC will receive an Asset Management Fee of $192,960 from the property to support Agency overhead. The fee is reflected as income in the General Fund (See General Fund). Both income and expenses will be increased by $7,085,668 to incorporate the property into the Agency's budget.

FY'22 First Quarter Budget Amendment

	Bradley Crossing
Total Revenue	**$7,085,668**
Gross Rents	$7,411,503
Concessions	($48,826)
Vacancy Loss	($370,577)
Other Revenue	$93,568
Total Operating Expenses	**$2,814,954**
Administrative	$1,155,287
Utilities	$486,837
Maintenance	$840,736
Other	$332,094
Net Operating Income	**$4,270,714**
Annual RfR Contribution	$143,180
Asset Management Fee	$192,960
Excess Cash Flow Restricted	$991,074
Annual Debt Service	$2,943,500
Total Non-Operating Expenses	**$4,270,714**
Cash Flow / (Deficit)	**$0**
Capital	**$80,323**

Capital Budget Amendments: Attachment 1-2 is a detailed chart of the following proposed transactions. Below is a description of the proposed amendment:

- **Capital Improvements:**
  - **Capital Roll Over for Facilities (General Fund):** All planned capital expenses for Facilities were not completed in FY'21. Therefore, staff requests that $255,000 be rolled forward and included in the FY'22 Budget to pay for carpet and warehouse heating at East Deer Park ($60,000) and HVAC, elevator, lighting and roof work at 880 Bonifant ($195,000). The work will be funded by cash restricted in FY'21.
  - **Capital Roll Over for Information Technologies (General Fund):** All planned capital expenses for Information Technologies (IT) were not completed in FY'21. Therefore, staff requests that $63,580 be rolled forward and included in the FY'22 Budget. The work will be funded by cash restricted in FY'21.

- **Capital Roll Over for Opportunity Housing Fund Properties:** Each year, Property Management reviews capital budgets at year end and requests capital funds to roll forward to the next year. This is necessary as there are always capital projects that have not been completed by year end. This year, the Property Management Division has requested that $432,374 for a few properties (below) be rolled forward and included in the FY'22 Budget. This work will be funded from property replacement reserves.

FY'22 1st Quarter Capital Rollover	
Diamond Square	$275,000
MetroPointe	$138,534
Strathmore Court - Market	$5,742
Strathmore Court - Affordable	$13,098
Total	**$432,374**

- **Bradley Crossing:** The capital budget for the acquired property is $80,323 and includes typical work that can be expected such as replacement of kitchen and bath countertops, appliances, flooring, windows and hardware upgrades.

BUDGET IMPACT:

The net effect of the FY'22 Second Quarter Budget Amendment is a surplus of $192,960. The FY'22 Adopted Budget included a projected draw of $1,434,616 from the General Fund Operating Reserve (GFOR) to balance the budget. Staff recommends that the anticipated draw be decreased by $192,960 to $1,241,656 in order to maintain a balanced budget.

The total FY'22 Operating Budget for HOC increased from $292,911,404 to $300,440,652. This is an increase of $7,529,248. The total FY'22 Capital Budget for HOC increased from $438,310,612 to $439,141,889. This is an increase of $831,277. Approval by the Commission of any budget amendments will revise the FY'21 Budget to reflect an accurate plan for the use of the Agency's resources for the remainder of the year.

TIME FRAME:

For informal discussion at the September 21, 2021 Budget, Finance and Audit Committee meeting. For formal Commission action at the October 6, 2021 meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff requests that the Budget, Finance and Audit Committee join its recommendation to the full Commission approval of the proposed FY'22 First Quarter Budget Amendment.

FY 2022 Operating Budget First Quarter Amendment	Revenues	Expenses	Adopted Budget	Net Changes To Revenue	Net Changes To Expenses	Revenues	Expenses	First Quarter Budget Amendment
General Fund								
General Fund	$25,904,324	$29,562,785	($3,658,461)	$636,540	$443,580	$26,540,864	$30,006,365	($3,465,501)
Draw from GFOR to Balance Budget	$1,434,616	$0	$1,434,616	($192,960)	$0	$1,241,656	$0	$1,241,656
Multifamily & Single Family Bond Funds								
Multifamily Fund	$17,101,758	$17,101,758	$0	$0	$0	$17,101,758	$17,101,758	$0
Single Family Fund	$9,596,244	$9,596,244	$0	$0	$0	$9,596,244	$9,596,244	$0
Opportunity Housing Fund								
Opportunity Housing & Dev Corps	$96,433,357	$94,403,933	$2,029,424	$7,085,668	$7,085,668	$103,519,025	$101,489,601	$2,029,424
Draw from GFOR for MetroPointe Deficit	$194,421	$0	$194,421	$0	$0	$194,421	$0	$194,421
Opportunity Housing Reserve Fund	$5,895,910	$1,624,626	$4,271,284	$0	$0	$5,895,910	$1,624,626	$4,271,284
Restricted to OHRF	$0	$4,271,284	($4,271,284)	$0	$0	$0	$4,271,284	($4,271,284)
Public Fund								
Housing Choice Voucher Program	$118,304,140	$115,169,540	$3,134,600	$0	$0	$118,304,140	$115,169,540	**$3,134,600**
Restrict to HCVP HAP Reserve	$0	$2,889,672	($2,889,672)	$0	$0	$0	$2,889,672	**($2,889,672)**
Restrict to HCVP Administrative Reserve		$244,928	($244,928)	$0	$0	$0	$244,928	**($244,928)**
Federal , State and Other County Grants	$18,046,634	$18,046,634	$0	$0	$0	$18,046,634	$18,046,634	**$0**
TOTAL - ALL FUNDS	**$292,911,404**	**$292,911,404**	**$0**	**$7,529,248**	**$7,529,248**	**$300,440,652**	**$300,440,652**	**$0**

Footnotes - explanation of changes recommended to adopted

GF R	$192,960	Add Asset Management Fee from Bradley Crossing
GF R	$125,000	Add Budget for SIRF Study Award
GF E	$125,000	Add Budget for SIRF Study Award
GF R	$60,000	Add funds restricted in FY'21 for East Deer Park Capital Rollover
GF R	$195,000	Add funds restricted in FY'21 for 880 Bonifant Capital Rollover
GF E	$60,000	Add funds restricted in FY'21 for East Deer Park Capital Rollover
GF E	$195,000	Add funds restricted in FY'21 for 880 Bonifant Capital Rollover
GF R	$63,580	Add funds restricted in FY'21 for IT Capital Rollover
GF E	$63,580	Add funds restricted in FY'21 for IT Capital Rollover
GF E	($192,960)	Reduce draw from GFOR

OH R	$7,085,668	Add Budget for Bradley Crossing
OH E	$7,085,668	Add Budget for Bradley Crossing

FY 2022 Capital Budget 1st Quarter Amendment	Revenues	Expenses	Adopted Budget	Net Changes to Revenue	Net Changes to Expenses	Revenues	Expenses	1st Quarter Amendment
Capital Improvements								
East Deer Park	$95,000	$95,000	**$0**	$60,000	$60,000	$155,000	$155,000	**$0**
Kensington Office	$100,000	$100,000	**$0**	$0	$0	$100,000	$100,000	**$0**
880 Bonifant	$82,000	$82,000	**$0**	$195,000	$195,000	$277,000	$277,000	**$0**
Information Technology	$781,000	$781,000	**$0**	$63,580	$63,580	$844,580	$844,580	**$0**
Opportunity Housing Properties	$5,998,048	$5,998,048	**$0**	$512,697	$512,697	$6,510,745	$6,510,745	**$0**
	$7,056,048	**$7,056,048**	**$0**	**$831,277**	**$831,277**	**$7,887,325**	**$7,887,325**	**$0**
Capital Development Projects								
Bauer Park Apartments	$9,094,460	$9,094,460	**$0**	$0	$0	$9,094,460	$9,094,460	**$0**
Deeply Affordable Units	$1,250,000	$1,250,000	**$0**	$0	$0	$1,250,000	$1,250,000	**$0**
Elizabeth House III	$26,358,960	$26,358,960	**$0**	$0	$0	$26,358,960	$26,358,960	**$0**
Georgian Court	$29,113,153	$29,113,153	**$0**	$0	$0	$29,113,153	$29,113,153	**$0**
Hillandale Gateway	$19,614,762	$19,614,762	**$0**	$0	$0	$19,614,762	$19,614,762	**$0**
Metropolitan	$112,604,941	$112,604,941	**$0**	$0	$0	$112,604,941	$112,604,941	**$0**
Shady Grove	$42,420,591	$42,420,591	**$0**	$0	$0	$42,420,591	$42,420,591	**$0**
Stewartown	$8,360,330	$8,360,330	**$0**	$0	$0	$8,360,330	$8,360,330	**$0**
Upton II	$16,285,095	$16,285,095	**$0**	$0	$0	$16,285,095	$16,285,095	**$0**
West Side Shady Grove	$63,061,089	$63,061,089	**$0**	$0	$0	$63,061,089	$63,061,089	**$0**
Westwood Towers	$42,750,000	$42,750,000	**$0**	$0	$0	$42,750,000	$42,750,000	**$0**
Willow Manor Resyndication	$60,341,183	$60,341,183	**$0**	$0	$0	$60,341,183	$60,341,183	**$0**
	$431,254,564	**$431,254,564**	**$0**	**$0**	**$0**	**$431,254,564**	**$431,254,564**	**$0**
TOTAL - ALL FUNDS	**$438,310,612**	**$438,310,612**	**$0**	**$831,277**	**$831,277**	**$439,141,889**	**$439,141,889**	**$0**

Footnotes - explanation of changes

GF-Fac R $60,000 Roll forward Facilities FY'21 Capital for East Deer Park
GF-Fac R $195,000 Roll forward Facilities FY'21 Capital for 880 Bonifant
GF-Fac E $60,000 Roll forward Facilities FY'21 Capital for East Deer Park
GF-Fac E $195,000 Roll forward Facilities FY'21 Capital for 880 Bonifant

GF-IT R $63,580 Roll forward IT FY'21 Capital
GF-IT E $63,580 Roll forward IT FY'21 Capital

OH R Add roll over budgets from FY 2020 - $432,374

$275,000	Diamond Square - (Elevator upgrade)
$138,534	MetroPointe - (Hallway Painting, HCAV Replacements, and Garage Cameras)
$5,742	Strathmore Court Market - (Hallway Painting)
$13,098	Strathmore Court Affordable - (Hallway Painting and Carpeting)
$432,374	**Total Change to OH Fund**

OH E Add roll over budgets from FY 2020 - $432,374

$275,000	
$138,534	
$5,742	
$13,098	
$432,374	**Total Change to OH Fund**

OH R $80,323 Add Budget for Bradley Crossing
OH E $80,323 Add Budget for Bradley Crossing

M E M O R A N D U M

TO:	Housing Opportunities Commission Budget, Finance and Audit Committee				
VIA:	Kayrine Brown, Acting Executive Director				
FROM:	Staff:	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 (April 1, 2021 – June 30, 2021)				
DATE:	September 21, 2021				

BACKGROUND:

HOC's current policy is to provide for an allowance for any tenant accounts receivable balance of 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 the rent collections firm, Rent Collect Global ("RCG"). All delinquent balances of $200 or more are submitted to RCG for further pursuit. Additionally, HOC offers a Surety Bond Program in which residents are provided the option to purchase a security bond, at a much lower rate, from the firm SureDeposit, Inc. instead of paying a traditional security deposit to HOC. Furthermore, the full value of the Surety Bond is available to HOC for recovery of any damage or other loss, just like a traditional security deposit. Through HOC's collection efforts and the services of RCG and SureDeposit, HOC makes every effort to pursue all tenant outstanding receivables.

The last approved write-off of former tenants' accounts on May 25, 2021 was for $67,720, which covered the three-month period from January 1, 2021 through March 31, 2021.

The proposed write-off of former tenant accounts receivable balances for the fourth quarter April 1, 2021 through June 30, 2021 is $50,389.

The $50,389 fourth quarter write-off is primarily attributable to former tenants within HOC's Opportunity Housing properties and Supportive Housing. The RAD 6 properties 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, purchased a home and tenant who had lease violation.
The following table shows the write-offs by fund/program.

Property Type	Current Write-offs 04/01/21 - 06/30/21	Prior Write-offs 01/01/21 - 03/31/21	$ Change 03/31/21 - 06/30/21	% Change 03/31/21 - 06/30/21	Fiscal Year 2021 Year-to-Date 07/01/20 - 06/30/21	Fiscal Year 2020 Year-to-Date 07/01/19 - 06/31/20
Public Housing	$ -	$ 336	$ (336)	-100.00%	$ 706	$ -
Opportunity Housing	34,362	62,914	(28,552)	-45.38%	183,854	205,774
Supportive Housing	15,149	3,699	11,450	309.54%	40,313	5,330
RAD Properties	878	771	107	13.88%	20,526	37,046
Rental Asst Sec8 Repays	-	-	-	0.00%	-	4,115
	$ 50,389	**$ 67,720**	**$ (17,331)**	**-25.59%**	**$ 245,399**	**$ 252,265**

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

Public Fund

Public Fund	Current Write-offs 04/01/21 - 06/30/21	Prior Write-offs 01/01/21 - 03/31/21	$ Change 03/31/21 - 06/30/21	$ Change 03/31/21 - 06/30/21	Fiscal Year 2021 Year-to-Date 07/01/20 - 06/30/21	Fiscal Year 2020 Year-to-Date 07/01/19 - 06/31/20
Former PH Tenants	$ -	$ 336	$ (336)	-100.00%	$ 706	$ -
Total Public Fund	**$ -**	**336**	**$ (336)**	**-100.00%**	**$ 706**	**$ -**

Within the former Public Housing tenants, there were no write-offs to report in the fourth quarter of FY '21.

Opportunity Housing Fund

Opportunity Housing (OH) Fund	Current Write-offs 04/01/21 - 06/30/21	Prior Write-offs 01/01/21 - 03/31/21	$ Change 03/31/21 - 06/30/21	$ Change 03/31/21 - 06/30/21	Fiscal Year 2021 Year-to-Date 07/01/20 - 06/30/21	Fiscal Year 2020 Year-to-Date 07/01/19 - 06/31/20
Camp Hill Square	17,288	-	17,288	0.00%	20,971	-
Chelsea Towers	-	-	-	0.00%	-	2,934
Holiday Park	40	-	40	0.00%	40	-
Magruders Discovery	847	-	847	0.00%	847	-
McHome	749	1,769	(1,020)	-57.66%	2,518	60
McKendree	-	-	0	0.00%	-	-
MHLP I/64	-	4,208	(4,208)	-100.00%	4,620	15,597
MHLP IX - MPDU	-	3,200	(3,200)	-100.00%	3,657	7,392
MHLP IX - Pondridge	-	11,427	(11,427)	-100.00%	11,427	2,435
MHLP VII	-	2,070	(2,070)	-100.00%	2,070	7,063
MHLP VIII	-	872	(872)	-100.00%	1,742	110
MHLP X	150	-	150	0.00%	150	5,549
NCI-1 - 13202 Black Walnut Court	-	552	(552)	-100.00%	552	-
NCI-1 - 13671 Harvest Glen Way	-	-	-	0.00%	-	9,104
NCI-1 - 60 Catoctin Court	1,458	-	1,458	0.00%	1,458	-
Paint branch	-	-	-	0.00%	-	3,191
Scattered Site One Dev Corp	2,519	8,008	(5,489)	-68.54%	22,511	2,868
Scattered Site Two Dev Corp	-	2,838	(2,838)	-100.00%	2,838	-
Sligo Dev Corp MPDU III	9,858	-	9,858	0.00%	9,858	-
State Rental Partnership	266	10,991	(10,725)	-97.58%	19,437	5,486
Town Center Apts	-	2,012	(2,012)	-100.00%	2,012	123
TPM Dev Corp - MPDU II (59)	-	1,619	(1,619)	-100.00%	23,401	10,680
TPP LLC - Pomander	-	-	-	0.00%	-	834
VPC One Corp	-	6,848	(6,848)	-100.00%	6,869	45,381
VPC Two Corp	1,187	6,500	(5,313)	-81.74%	46,876	86,967
Total OH Fund	**$ 34,362**	**$ 62,914**	**$ (28,552)**	**-45.38%**	**$ 183,854**	**$ 205,774**

Within the Opportunity Housing portfolio, the $34,362 former tenant write-off amounts were largely attributable to Camp Hill Square, NCI-1 60 Catoctin Court, Scattered Site One Development Corporation, Sligo Development Corporation/MPDU III and VPC Two Corporation. The write-offs were mainly due to one tenant who purchased a home, one tenant who passed away, two tenants who wanted more space, three tenants who skipped, four who voluntarily left the unit, one tenant who left due to a lease violation and one tenant who no longer qualifies.

Supportive Housing

	Current Write-offs 04/01/21 - 06/30/21	Prior Write-offs 01/01/21 - 03/31/21	$ Change 03/31/21 - 06/30/21	% Change 03/31/21 - 06/30/21	Fiscal Year 2021 Year-to-Date 07/01/20 - 06/30/21	Fiscal Year 2020 Year-to-Date 07/01/19 - 06/31/20
Supportive Housing						
McKinney X - HUD	$ 14,082	$ 3,699	$ 10,383	280.70%	$ 39,246	$ 4,953
McKinney XIV - HUD	1,067	-	1,067	0.00%	1,067	377
Total Supportive Housing	**$ 15,149**	**$ 3,699**	**$ 11,450**	**309.54%**	**$ 40,313**	**$ 5,330**

Within the Supportive Housing Program, the $15,149 write-off amounts were due to three tenants who passed away and one tenant who skipped.

LIHTC/RAD Properties

	Current Write-offs 04/01/21 - 06/30/21	Prior Write-offs 01/01/21 - 03/31/21	$ Change 03/31/21 - 06/30/21	% Change 03/31/21 - 06/30/21	Fiscal Year 2021 Year-to-Date 07/01/20 - 06/30/21	Fiscal Year 2020 Year-to-Date 07/01/19 - 06/31/20
LIHTC/RAD Properties						
Arcola Towers LP	$ -	$ -	$ -	0.00%	$ -	$ 2,315
Bauer Park	$ -	$ 353	$ (353)	-100.00%	$ 353	$ 35
Elizabeth House - Interim RAD	-	172	(172)	-100.00%	1,283	-
Holly Hall RAD	-	246	(246)	-100.00%	1,910	331
RAD 6 - Ken Gar	-	-	-	0.00%	295	-
RAD 6 - Seneca Ridge	-	-	-	0.00%	15,807	9,722
RAD 6 - Washington Square	-	-	-	0.00%	-	21,637
Waverly House LP	878	-	878	0.00%	878	3,006
Total RAD Properties	**$ 878**	**$ 771**	**$ 107**	**13.88%**	**$ 20,526**	**$ 37,046**

Within the RAD properties, the $878 write-off amounts were mainly due to two tenants who passed away.

Rental Assistant Section 8 [Repayments]

	Current Write-offs 04/01/21 - 06/30/21	Prior Write-offs 01/01/21 - 03/31/21	$ Change 03/31/21 - 06/30/21	% Change 03/31/21 - 06/30/21	Fiscal Year 2021 Year-to-Date 07/01/20 - 06/30/21	Fiscal Year 2020 Year-to-Date 07/01/19 - 06/31/20
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 fourth quarter of FY ’21.

The next anticipated write-off will be for the first quarter of FY’22, covering July 1, 2021 through September 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 to authorize the write-off of uncollectible tenant accounts receivable for the fourth quarter of fiscal year 2021, totaling $50,389?

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 September 21, 2021 Budget, Finance and Audit Committee meeting. For formal Commission action at the October 6, 2021 meeting.

STAFF RECOMMENDATION:

Staff requests that the Budget, Finance and Audit Committee join its recommendation to the Commission authorizing the write-off of uncollectible tenant accounts receivable of $50,389.

AWARD PROPERTY MANAGEMENT CONTRACTS: APPROVAL TO AWARD PROPERTY MANAGEMENT CONTRACTS FOR THE METROPOLITAN AND STRATHMORE COURT PURSUANT TO REQUEST FOR PROPOSAL (“RFP”) #2274

KAYRINE BROWN, ACTING EXECUTIVE DIRECTOR

Charnita Jackson, Director of Property Management
Millicent Anglin, Asset Manager

September 21, 2021

TABLE OF CONTENTS

EXECUTIVE SUMMARY

The current Property Management Services Agreements with Bozzuto Management ("Bozzuto") for The Metropolitan and Strathmore Court expire on October 31, 2021. On July 22, 2021, HOC issued Request for Proposal (RFP) #2274 to procure comprehensive property management services, including leasing, financial reporting, and maintenance services, for these properties. Five proposals were received from CAPREIT Residential Management ("CAPREIT"), Vantage Management ("Vantage"), Melan Property Management ("Melan"), ROSS Companies ("Ross") and Bozzuto. A sixth proposal from Grady Management was also received, however it was submitted late and was not evaluated.

The scoring panel, consisting of staff from Mortgage Finance, Real Estate, and Property Management, scored the proposals in September 2021. Staff recommends the Commission authorize the Acting Executive Director to:

- Negotiate and execute a property management services contract with ROSS Companies for Strathmore Court. A two-month extension to the existing contract with Bozzuto will be requested to facilitate a smooth transition; and

- Negotiate and execute a property management services contract with Bozzuto Management for The Metropolitan. Though Bozzuto did not receive the highest score, staff recommends retaining Bozzuto Management for the following reasons:

  - ✓ The Metropolitan is expected to begin a comprehensive renovation in early 2022 and Bozzuto's participation in the pre-development process is invaluable given their familiarity with the property. The recommended term of the management contract is three years (i.e. two-year initial term and 1 one-year renewal option), which is less than the typical term length of four years (i.e. two-year initial term with 2, one-year renewal options). The duration of the contract term is intended to coincide with the length of the renovation period and subsequent lease-up.

  - ✓ The Metropolitan has maintained stable occupancy and financial performance under Bozzuto's management.

  - ✓ Bozzuto's proposed management fee is consistent with the current Property Management Services Agreement and would not result in a budget variance in FY 2022.

PROJECT SUMMARY

The Metropolitan Apartments, collectively comprised of The Metropolitan of Bethesda LP (92 tax credit units for households earning up to 50% of the Area Median Income) and Metropolitan Development Corporation (216 market units), is a luxury high-rise community in the heart of Bethesda. The Metropolitan Apartments feature 24-hour concierge, swimming pool, fitness center, business center, clubroom, garage parking, and storage facility.

Strathmore Court Apartments, collectively comprised of Strathmore Court Associates LP (51 tax credit units for households earning up to 50% of the Area Median Income) and Strathmore Court (151 market units), is located less than one block from the White Flint Metro station. Strathmore Court Apartments' amenities include free garage parking, club room, fitness room, swimming pool, and concierge.

RFP #2274 EVALUATION CRITERIA

Staff issued Request for Proposal (RFP) #2274 for property management services for The Metropolitan and Strathmore Court in accordance with HOC's procurement policy. The scoring panel evaluated the five proposals received according to the following criteria:

POINTS	CRITERIA
25	Financial performance of apartment communities managed within the last five years.
25	Firm's and key personnel's experience in managing leasing and compliance requirements for mixed-income properties.
20	Firm's demonstrated property management experience and customer service track record.
10	Management fee including additional charges for capital project management.
10	Minority/Female/Disabled (MFD) Owned business.
5	Review of submitted materials.
5	References.
100	**TOTAL POSSIBLE POINTS**

RFP SCORING RESULTS

The scoring panel's average scores are shown below. ROSS Companies provided the most comprehensive proposal that addressed all scoring criteria and received the highest score. Bozzuto's lower score reflects their incomplete response to scoring criteria, lack of diversity in their ownership structure, and higher fees relative to other respondents.

	Financial Performance (25 pts)	Leasing and Compliance Experience (25 pts)	Firm Experience / Customer Service (20 pts)	Fees (10 pts)	MFD Owned (10 pts) [1]	RFP Materials (5 pts)	References (5 pts)	TOTAL SCORE (100 pts)	Average Proposed Management Fee (% of revenue)
Ross	23	20	17	7	10	5	5	**87**	3.00%
CAPREIT	20	13	16	8	0	2	4	**63**	2.63%
Vantage	12	16	13	8	5	4	4	**62**	2.75%
Bozzuto	8[2]	20	20	6	0	3	5	**62**	3.50%
Melan	5	9	10	9	10	5	4	**52**	2.50%

[1] Partial points were awarded to non-MFD firms who subcontract with firms with an MFD designation.
[2] Bozzuto's low score represents the lack of information provided regarding the financial performance of their portfolio.

PROPERTY PERFORMANCE

A summary of FY 2021 financial performance for The Metropolitan demonstrates that overall performance was satisfactory in most categories. Strathmore Court's operating expenses were 9% higher than budgeted in FY 2021 due to overages in all expense categories. Turnover at both properties was higher than HOC's metric due to the market rate units which tend to experience more turnover than affordable units.

	Physical Occupancy	Economic Occupancy	Tenant Turnover	Rent Collection (excl. subsidy)	Operating Expense Variance	Maintenance Operating Expense Variance	Capital Expense Variance
METRIC	**96%+**	**98%+**	**< 5%**	**95%+**	**+/- 10% of budget**	**+/- 10% of budget**	**+/- 10% of budget**
The Metropolitan	95%	92%	37%	98%	-3%	-12%	-70%
Strathmore Court	96%	93%	32%	96%	9%	3%	-15%

MANAGEMENT COMPANY OVERVIEW

- Bozzuto was founded in 1988 with the mission to build and manage Class A living spaces. The firm's capabilities include multifamily development, construction, property management, and homebuilding.

- Bozzuto Management Company's portfolio includes over 83,000 units and over three million square feet of retail across 270 properties. Forty-seven properties in their portfolio are located in Maryland and fourteen properties are located in Montgomery County. Bozzuto currently manages four HOC properties – The Metropolitan, Strathmore Court, MetroPointe, and The Lindley.

- Recognized as the nation's #1 property management company by the National Association of Home Builders (NAHB) in 2021 and ranked the #1 property management company for online customer satisfaction for the seventh year in a row by J Turner Research, Bozzuto understands that customer satisfaction is critical to its success.

- Bozzuto utilizes J Turner to administer ongoing resident and prospect satisfaction surveys on a monthly basis.

MANAGEMENT COMPANY OVERVIEW

- ROSS Companies was founded in 1983 and ROSS Management Services (RMS) was founded in 1988. The principal owners of RMS include Beth Ross, President, and David J. Miskovich, Chief Executive Owner.

- ROSS Management Services manages 36 apartment communities totaling over 9,650 units, including nearly 1,600 affordable units. ROSS has experience managing tax credit and Section 8 affordability restrictions. Nineteen properties in their portfolio are located in Maryland and three properties are located in Montgomery County. ROSS previously managed Forest Oak Towers, an affordable HOC property located in Gaithersburg, MD.

- ROSS Companies is vertically integrated into three divisions: Management Services, Renovation and Construction, and Development Services. The synergies between the three ROSS Companies' divisions allows for operating efficiencies and provides a wide array of services including acquisition, development, due diligence, finance, property and asset management, and construction management.

- ROSS uses Yardi as its primary accounting and customer relationship management system. Their familiarity with Yardi will expedite the property management transition process.

- SatisFacts, a resident survey firm, recognized ROSS Management Services with multiple resident satisfaction awards in 2020 and 2021 based on survey results.

PROPOSED MANAGEMENT FEES

Proposed management fees for each property are specified below. The proposed fees would not result in an unfavorable budget variance in FY 2022. While Bozzuto is proposing to introduce a fee minimum of $16,500 per month for The Metropolitan, the fee minimum is less than the FY 2022 budgeted fee. Ross's fee for Strathmore Court is $40K less than the FY 2022 budgeted management fee (savings of $17 per unit per month).

	Recommended Management Company	Proposed Fee (% of revenue)	Proposed Fee ($ per unit per month)	Fee Variance to Budget ($ per unit per month)
The Metropolitan	Bozzuto	3%	$59	$0
Strathmore Court	Ross	3%	$49	-$17

BUDGET IMPACT AND RECOMMENDATION

Issues for Consideration

Will the Budget, Finance, and Audit Committee join staff's recommendation to the Commission to authorize the Acting Executive Director to:

- Execute a property management services contract with Bozzuto Management for The Metropolitan; and
- Execute a property management services contract with ROSS Companies for Strathmore Court?

Time Frame

For informal discussion at the Budget, Finance, and Audit Committee meeting on September 21, 2021. For formal Commission action at the October 6, 2021 meeting.

Budget Impact

Proposed management fees will not result in unfavorable FY 2022 budget variances for Strathmore Court and The Metropolitan.

Staff Recommendation and Commission Action Needed

Staff requests that the Budget, Finance, and Audit Committee join its recommendation to the Commission to authorize the Acting Executive Director to execute property management services contracts with Bozzuto Management for The Metropolitan and with ROSS Companies for Strathmore Court.

AWARD PROPERTY MANAGEMENT CONTRACTS:
APPROVAL TO AWARD PROPERTY MANAGEMENT CONTRACT FOR HUB MULTIFAMILY PROPERTIES PURSUANT TO REQUEST FOR PROPOSAL ("RFP") #2273

KAYRINE BROWN, ACTING EXECUTIVE DIRECTOR

Charnita Jackson, Director of Property Management
Jay Berkowitz, Asset Manager
Millicent Anglin, Asset Manager

September 21, 2021

TABLE OF CONTENTS

EXECUTIVE SUMMARY

The current Property Assistance Contract with Edgewood Management Corporation ("EMC") for the HUB Multifamily Properties expires on December 31, 2021.

HUB Multifamily Properties are composed of Arcola Towers, Waverly House, Magruder's Discovery, Bauer Park Apartments, Camp Hill Square, Elizabeth House, and the RAD 6 Development Corporation (i.e. Ken Gar, Parkway Woods, Sandy Spring Meadow, Seneca Ridge, Towne Centre Place Olney, and Washington Square).

On July 20, 2021, HOC issued Request for Proposal (RFP) #2273 to procure property management services for the HUB Multifamily Properties. The scope of services includes leasing and financial management (i.e. invoice payment, Accounts Payable management, TRACS submission for subsidy payments, and financial reporting), however HOC will continue to provide maintenance services.

Eight proposals were received from CAPREIT Residential Management ("CAPREIT"), EMC, Grady Management ("Grady"), Habitat America ("Habitat"), Melan Property Management ("Melan"), ROSS Companies ("Ross"), TM Associates Management ("TM"), and Vista Capital Management Group ("Vista").

The scoring panel, consisting of staff from Mortgage Finance, Real Estate, and Property Management, scored the proposals in September 2021. Based on the score results, staff recommends the Commission authorize the Acting Executive Director to:

- Negotiate and execute a property management services contract with ROSS Companies for Camp Hill Square and the RAD 6 Development Corporation;

- Negotiate and execute a property management services contract with Habitat America for Arcola Towers, Waverly House, Bauer Park Apartments, and Elizabeth House; and

- Negotiate and execute a property management services contract with Grady Management for Magruder's Discovery.

PROJECT SUMMARY

RAD 6 Development Corporation ("RAD 6") is a 268-unit portfolio of six multifamily properties including Ken Gar, Parkway Woods, Sandy Spring Meadow, Seneca Ridge, Towne Centre Place, and Washington Square. RAD 6 was renovated in 2015.

Ken Gar, located in Kensington, MD, includes 17 affordable units with project-based rental subsidy and two market units.

Parkway Woods, located in Rockville, MD, includes 22 affordable units with project-based rental subsidy and two market units.

Sandy Spring Meadow, located in Sandy Spring, MD, includes 48 affordable units with project-based rental subsidy and seven market units.

Seneca Ridge, located in Germantown, MD, includes 55 affordable units with project-based rental subsidy and 16 market units. Amenities include parking and a playground.

Towne Centre Place, located in Olney, MD, includes 47 affordable units with project-based rental subsidy and two market units. Amenities include parking and a playground.

Washington Square, located in Gaithersburg, MD, includes 20 affordable units with project-based rental subsidy and 30 market units. Amenities include a business center.

All six are former Public Housing properties, which converted under the Rental Assistance Demonstration Program ("RAD") in 2014. They were financed into a single ownership entity with proceeds from HOC-issued tax-exempt governmental bonds and enhanced with an FHA Risk Share mortgage.

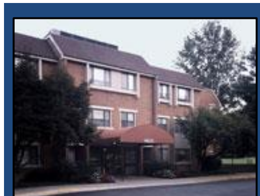
PROJECT SUMMARY

Arcola Towers is a 141-unit high-rise senior community located east of Wheaton. Comprised of 141 PBRA/LIHTC units, all apartments and common areas were renovated in 2017.

Magruder's Discovery is a 134-unit garden style apartment community located in Bethesda, MD. Built in 1980 and acquired by HOC in 1993, the property was renovated in 2011.

Waverly House is a high-rise senior building with 158 units. Built in 1978, the property is located in Bethesda near transit, retail, and health care services.

Elizabeth House is a 160-unit, high rise building located in Silver Spring. MD. Amenities include a community room, swimming pool, balconies, computer lab, and garage parking.



Bauer Park is a garden style community located in Rockville, MD. Designed for elderly and handicapped people under the HUD Section 236 program, the property is current undergoing a renovation.*

Camp Hill Square is a 50-unit multi-family property located in Gaithersburg, MD. Ten affordable units provide project-based rental subsidy and 40 units are market rate.

***Bauer Park Renovation Status** - There are three buildings in the development. Building 14643 renovation is complete. The renovation in building 14639 (2nd bldg.) will be completed by mid-November 2021 and residents will reoccupy the building by the third week in November 2021. Residents in building 14635, the last building to be renovated, will be relocated in the first week of December 2021. The renovation of building 14635 will start in mid to late December 2021 and is projected to be complete by May 2022. The new management contract will begin in January 2022.

RFP #2273 EVALUATION CRITERIA

Staff issued Request for Proposal (RFP) #2273 for property management services for the HUB Multifamily Properties in accordance with HOC's procurement policy. The scoring panel evaluated the eight proposals received according to the following criteria:

POINTS	CRITERIA
25	Financial performance of apartment communities managed within the last five years.
25	Firm's and key personnel's experience in managing leasing and compliance requirements for mixed-income properties.
20	Firm's demonstrated property management experience and customer service track record.
10	Management fee including additional charges for capital project management.
10	Minority/Female/Disabled (MFD) Owned business.
5	Review of submitted materials.
5	References.
100	**TOTAL POSSIBLE POINTS**

RFP SCORING RESULTS

The scoring panel's average scores are shown below. ROSS Companies, Habitat America, and Grady received the top three highest scores.

	Financial Performance (25 pts)	Leasing and Compliance Experience (25 pts)	Firm Experience / Customer Service (20 pts)	Fees (10 pts)	MFD Owned (10 pts)[1]	RFP Materials (5 pts)	References (5 pts)	TOTAL SCORE (100 pts)	Average Proposed Management Fee (% of gross revenue)
ROSS	25	20	17	8	10	5	5	**90**	3.00%
Habitat	21	23	20	6	10	3	5	**88**	4.00%
Grady	18	18	17	6	5	3	5	**72**	4.00%
TM	15	22	10	6	5	3	5	**66**	3.88%
CAPREIT	20	13	16	7	0	2	4	**62**	3.35%
EMC	13	13	10	6	5	3	5	**55**	3.95%
Melan	5	9	10	9	10	5	4	**52**	2.75%
Vista	9	15	11	0[2]	0	2	4	**41**	N/A[2]

[1] Partial points were awarded to non-MFD firms who subcontract with firms with an MFD designation.
[2] Vista Capital did not specify their management fee so no points were awarded.

PROPERTY PERFORMANCE

A summary of FY 2021 financial performance for RAD 6 Development Corporation is below. The results demonstrate that the portfolio's overall performance has been below HOC's metrics in several key areas. While leasing has been acceptable, there are operational challenges with Edgewood, particularly rent collection and tenant retention, that remain unresolved. As HOC will continue to provide maintenance services for this portfolio, expense management will remain a shared responsibility between HOC and the third-party management company.

	Physical Occupancy	Economic Occupancy	Tenant Turnover	Rent Collection (excl. subsidy)	Operating Expense Variance	Maintenance Operating Expense Variance	Capital Expense Variance
METRIC	**96%+**	**98%+**	**< 5%**	**95%+**	**+/- 10% of budget**	**+/- 10% of budget**	**+/- 10% of budget**
Ken Gar	98%	98%	5%	47%	20%	25%	120%
Parkway Woods	100%	99%	0%	51%	-15%	-22%	-80%
Sandy Spring Meadow	97%	93%	19%	66%	-9%	-8%	-40%
Seneca Ridge	97%	97%	20%	51%	-3%	2%	19%
Towne Centre Place	95%	94%	17%	69%	5%	-1%	39%
Washington Square	96%	94%	26%	50%	17%	19%	130%

PROPERTY PERFORMANCE

Edgewood has had an issue with staff turnover on several properties, which impacts compliance accuracy and customer service. The onsite staff does not receive consistent training and support from the regional manager or the corporate office. Arcola, Bauer, and Waverly have had compliance issues over the last year that have not been resolved in a timely manner.

	Physical Occupancy	Economic Occupancy	Tenant Turnover	Rent Collection (excl. subsidy)	Operating Expense Variance	Maintenance Operating Expense Variance	Capital Expense Variance
METRIC	**96%+**	**98%+**	**< 5%**	**95%+**	**+/- 10% of budget**	**+/- 10% of budget**	**+/- 10% of budget**
Arcola Towers	96%	94%	20%	87%	-14%	-7%	-20%
Bauer Park	N/A	N/A	N/A	90%	-54%	-61%	45%
Camp Hill Square	95%	93%	6%	75%	42%	62%	-43%
Elizabeth House	N/A	N/A	N/A	99%	-6%	-7%	N/A
Magruders Discovery	99%	96%	22%	95%	-11%	-17%	42%
Waverly House	95%	93%	15%	82%	-13%	-4%	-42%

MANAGEMENT COMPANY OVERVIEW

- Habitat America, a Certified Woman Owned Business Enterprise, has managed affordable and tax credit senior and family apartment communities for over 30 years.

- Portfolio consists of 107 properties with 9,713 units, 47% of which are affordable, independent senior communities. Habitat manages 74 properties in Maryland and 12 properties in Montgomery County.

- Experience includes leasing and managing all property types, overseeing new lease ups, in-place and total renovations, and maintaining stabilized communities.

- Habitat currently manages four HOC properties: Forest Oaks, a senior high rise HUD and tax credit development, and the three Willow Manor which are mid-rise senior tax credit communities. Forest Oaks is a similar property to Arcola and Waverly. Forest Oaks occupancy has been 99.5% and economic occupancy has been 96.9% over the last year. Rent collection is 99%.

- Grady Management, Inc. is a full-service residential, commercial and consulting real estate services firm. Founded in 1965, Grady manages 51 properties comprising 11,599 units. Their portfolio includes 21 affordable communities, 27 properties in Maryland, and 10 properties in Montgomery County. Grady currently manages Cider Mill, an HOC property in Gaithersburg, MD with current occupancy of 96%.

- In 2020, Grady was ranked among the top 10 management companies by SatisFacts on their Experience & Performance Intelligence Quotient (epIQ) Index.

MANAGEMENT COMPANY OVERVIEW

- ROSS Companies was founded in 1983 and ROSS Management Services (RMS) was founded in 1988. The principal owners of RMS include Beth Ross, President, and David J. Miskovich, Chief Executive Owner.

- ROSS Management Services manages 36 apartment communities totaling over 9,650 units, including nearly 1,600 affordable units. ROSS has experience managing tax credit and Section 8 affordability restrictions. Nineteen properties in their portfolio are located in Maryland and three properties are located in Montgomery County. ROSS previously managed Forest Oak Towers, an affordable HOC property located in Gaithersburg, MD.

- ROSS Companies is vertically integrated into three divisions: Management Services, Renovation and Construction, and Development Services. The synergies between the three ROSS Companies' divisions allows for operating efficiencies and provides a wide array of services including acquisition, development, due diligence, finance, property and asset management, and construction management.

- ROSS uses Yardi as its primary accounting and customer relationship management system. Their familiarity with Yardi will expedite the property management transition process.

- SatisFacts, a resident survey firm, recognized ROSS Management Services with multiple resident satisfaction awards in 2020 and 2021 based on survey results.

PROPOSED MANAGEMENT FEES

Proposed management fees for each property are specified below. The proposed fees are higher than the current budgeted fee of $28 per unit per month because the current Property Assistance Contract excludes certain tasks from third-party management oversight. Currently EMC does not perform invoice payment, Accounts Payable management, TRACS submission for subsidy payments, and monthly financial reporting. These functions are performed by HOC staff. If these services were to be performed by EMC, the current base contract price would increase and be comparable to the proposed fees.

	Recommended Management Company	Proposed Fee (% of revenue)	Proposed Fee ($ per unit per month)	Fee Variance to Budget ($ per unit per month)
Ken Gar	Ross	3%	$26	-$2
Parkway Woods	Ross	3%	$32	$4
Sandy Spring Meadow	Ross	3%	$30	$2
Seneca Ridge	Ross	3%	$34	$6
Towne Centre Place	Ross	3%	$28	$0
Washington Square	Ross	3%	$40	$12

	Recommended Management Company	Proposed Fee (% of revenue)	Proposed Fee ($ per unit per month)	Fee Variance to Budget ($ per unit per month)
Arcola Towers	Habitat	4%	$33	$5
Bauer Park	Habitat	4%	$44	$16
Camp Hill Square	Ross	3%	$36	$8
Elizabeth House	Habitat	4%	$34	$6
Magruder's Discovery	Grady	4%	$58	$30
Waverly House	Habitat	4%	$35	$7

HOC will continue to provide maintenance services for the above properties. Maintenance services were not included in the RFP's scope of work for third-party property management services.

ISSUES FOR CONSIDERATION AND TIMEFRAME

Issues for Consideration

Will the Budget, Finance, and Audit Committee join staff's recommendation to the Commission to authorize the Acting Executive Director to:

- Execute property management services contracts with ROSS Companies for RAD 6 Development Corporation and Camp Hill Square;
- Execute property management services contracts with Habitat America for Arcola Towers, Waverly House, Bauer Park Apartments, and Elizabeth House; and
- Execute a property management services contract with Grady Management for Magruder's Discovery?

Timeframe

For informal discussion at the Budget, Finance, and Audit Committee meeting on September 21, 2021. For formal Commission action at the October 6, 2021 meeting.

BUDGET IMPACT AND RECOMMENDATION

Budget Impact

Proposed management fees will result in budget variances as detailed below. Operating expense savings will be implemented to offset the management fee variances. As the contracts will be performance-based, the management fee would be lower if revenue declines below budgeted expectations or if the properties receive less than an 80 on a REAC inspection.

- ROSS Companies' proposed fee of 3% of total revenue will result in an unfavorable $23.1K FY 2022 budget variance for RAD 6 and Camp Hill;
- Habitat America's proposed fee of 4% of gross collections ($3,000/month minimum) for Elizabeth House will result in an unfavorable $13.3K FY 2022 budget variance;
- Habitat America's proposed fee of 4% of gross collections ($3,000/month minimum) for Arcola Towers, Waverly House, and Bauer Park Apartments will not result in a budget variance as the fee will be included in the upcoming CY 2022 budgets; and
- Grady Management's proposed fee of 4% of gross revenue will result in an unfavorable $23.4K FY 2022 budget variance for Magruder's Discovery.

Staff Recommendation and Commission Action Needed

Staff requests that the Budget, Finance, and Audit Committee join its recommendation to the Commission to authorize the Acting Executive Director to negotiate and execute contracts with:

- ROSS Companies for management of RAD 6 Development Corporation and Camp Hill Square;
- Habitat America for management of Arcola Towers, Waverly House, Bauer Park Apartments, and Elizabeth House; and
- Grady Management for management of Magruder's Discovery.

M E M O R A N D U M

TO:	Housing Opportunities Commission Budget, Finance and Audit Committee
VIA:	Kayrine Brown, Acting Executive Director
FROM	Staff: Cornelia Kent Division: Finance Ext. 9754 Eugenia Pascual Finance Ext. 9478
RE:	Addition of Third Signer to HOC Bank Accounts: Request to Authorize the Addition of the Human Resources Director as a Third Signer to HOC's Bank Accounts
DATE:	September 21, 2021

BACKGROUND:

The Housing Opportunities Commission of Montgomery County ("HOC" or "Commission") historically maintains three authorized signer for its bank accounts. This is necessary because the Commission maintains numerous bank accounts with many financial institutions and because HOC frequently must make large payments, requiring at least two signers.

Because of the recent departure of the Executive Director, there are presently only two authorized signers on HOC's bank accounts, the Acting Executive Director and the Chief Financial Officer. To avoid the issues where there is only one authorized signer available, staff is requesting the addition of the Human Resources Director as a third signer on HOC's bank accounts. The number of authorized signers to HOC's bank accounts will be limited to three signers who are members of the Executive Staff.

ISSUES FOR CONSIDERATION:

Does the Budget, Finance and Audit Committee wish to join staff in recommending to the Commission that the Commission authorize the addition of the Human Resources Director as a third signer on HOC's bank accounts?

PRINCIPALS:

HOC
PNC Bank (primarily)

BUDGET IMPACT:

There is no budget impact from this request.

TIME FRAME:

For deliberation at the September 21, 2021 Budget, Finance and Audit Committee meeting. For formal action at the October 6, 2021 Commission meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff requests that the Budget, Finance and Audit Committee join its recommendation to the full Commission to approve the addition of the Human Resources Director as a third signer to HOC's bank accounts.