



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



BUDGET, FINANCE AND AUDIT COMMITTEE

October 21, 2022

10:00 a.m.

Livestream: <https://youtu.be/9X9gxhcmNi8>

Approval of Minutes:

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Minutes

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

Budget, Finance and Audit Committee Minutes

September 27, 2022

For the official record of the Housing Opportunities Commission of Montgomery County, an open meeting of the Budget, Finance and Audit Committee was conducted via a hybrid model on Tuesday, September 27, 2022, with some participating by an online platform/teleconference, and others participating in-person at 10400 Detrick Avenue, Kensington, Maryland beginning at 11:05 a.m. There was a livestream of the meeting held on YouTube, available for viewing [here](#). Those in attendance were:

Present

Frances Kelleher – Commissioner

Attending via Zoom

Richard Y. Nelson, Jr., Chair – Budget, Finance and Audit Committee

Jeffrey Merkowitz - Commissioner

Also Attending

Chelsea Andrews, Executive Director

Timothy Goetzinger, Acting Chief Financial Officer

Fred Swan

Eugenia Pascual

Aisha Memon, General Counsel

Terri Fowler, Budget Officer

Olutomi Adebo

Also via Zoom

Kayrine Brown, Deputy Executive Director

Marcus Ervin

Jennifer Arrington

Zachary Marks

Darcel Cox

Paige Gentry

Francisco Vega

Nathan Bovelle

Matt Husman

Olutomi Adebo

Alex Torton

Leidi Reyes

Niketa Patel

Nilou Razeghi

Claudia Wilson

IT Support

Aries “AJ” Cruz

Commission Support

Patrice Birdsong, Spec. Asst.

At the request of Committee Chair Nelson, Vice Chair Kelleher opened the meeting with a welcome and introduction of Commissioners Nelson and Merkowitz joining via Zoom, and the Executive Director as well as key staff presenters participating in person. Commissioners Nelson began the meeting with the approval of the minutes.

APPROVAL OF MINUTES

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

ACTION/DISCUSSION ITEMS

1. Fiscal Year 2022 Fourth Quarter Budget to Actual Statements: Presentation of Fourth Quarter FY'22 Budget to Actual Statements

Chelsea Andrews, Executive Director, provided an overview of the presentation. Executive Director Andrews reported that the Agency ended the year with a surplus of one million twelve thousand dollars, and indicated that a recommendation will be requested that the surplus be divided into 50% allocations to both the General Fund as well as the Opportunities Housing Property Reserve. Executive Director Andrews introduced Timothy Goetzinger, Chief Development Funds Officer/Acting Chief Financial Officer, who introduced Terri Fowler, Budget Officer, as the presenter. Ms. Fowler, who provided the presentation to the Budget, Finance and Audit Committee, recommending that the Budget, Finance and Audit Committee accepts its recommendation to the full Commission the acceptance of the Fourth Quarter FY'22 Budget to Actual Statements. Staff addressed questions. A motion was made by Commissioner Kelleher to recommend to the full Board that the surplus funds be split 50-percent to the Operating Reserves and 50-percent to the Property Reserves for approval. It was seconded by Commissioner Merkowitz. Affirmative votes were cast by Commissioners Nelson, Kelleher, and Merkowitz.

2. Fiscal Year 2022 Fourth Quarter Unaudited Financial Statements: Presentation of the Unaudited Financial Statements for the Fourth Quarter ended June 30, 2022

Chelsea Andrews, Executive Director, provided an overview of the presentation. Executive Director Andrews highlighted that the Commission's net position increased as a result of various sales of properties, and as well as the current ratio of assets to liabilities. Executive Director Andrews introduced Timothy Goetzinger, Chief Development Funds Officer/Acting Chief Financial Officer, who introduced Frances Vega, Assistant Controller, as the presenter. Prior to Mr. Vega's presentation, Eugenia Pascual, Controller, informed the Committee of a change in the reporting of the audit version. Mr. Vega proceeded with his presentation. There were no questions of the Committee. No vote was taken.

3. Fiscal Year 2023 First Quarter Budget Amendment: Presentation of the FY'23 First Quarter Budget Amendment

Chelsea Andrews, Executive Director, provided an overview of the presentation requesting support and recommendation to the full Board of amending the FY'23 First Quarter Budget. Executive Director Andrews introduced Timothy Goetzinger, Chief Development Funds Officer/Acting Chief Financial Officer, who introduced Terri Fowler, Budget Officer, as the presenter. Commissioner Kelleher complimented the staff on budget projections. A motion was made by Commissioner Kelleher to recommend to the full Commission approval of First Quarter Budget Amendment. It was seconded by Commissioner Merkowitz. Affirmative votes were cast by Commissioners Nelson, Kelleher, and Merkowitz. Staff addressed Commissioner Merkowitz questions regarding rate increases and the need of budget adjustments for higher interest expenses. Commissioner Nelson indicated that this was a valid questions and requested that staff could provide summary of the matter for discussion during the Development and Finance Committee Meeting convening on September 28, 2022, and a full explanation for the full Board.

4. Uncollectible Tenant Accounts Receivable: Presentation of Request to Write-Off Uncollectible Tenant Accounts Receivable (April 1, 2022 – June 30, 2022)

Chelsea Andrews, Executive Director, provided an overview of the presentation. Executive Director Andrews highlighted the presentation, and introduced Timothy Goetzinger, Chief Development Funds Officer/Acting Chief Financial Officer, who introduced Nilou Razeghi, Accounting Manager, as the presenter. Due to audio issues, Ms. Razeghi, was unable to present. Presentation was done by Mr. Goetzinger, requesting that the Budget, Finance and Audit Committee accepts its recommendation to the full Commission the authorization to write-off uncollectible tenant accounts receivable for the fourth quarter of FY'22. During the presentation Commissioner Nelson temporarily stepped away requesting that Commissioner Kelleher preside. Staff addressed questions. A motion was made by Commissioner Merkowitz to recommend to the full Commission for approval amount requested for uncollectible tenant account receivables. It was seconded by Commissioner Kelleher. Affirmative votes were cast by Commissioners Kelleher, Merkowitz, and Nelson. Commissioner Nelson returned to the meeting at 11:48 a.m. with a vote affirming the discussion item, and he requested that Commissioner Kelleher continue presiding the meeting.

5. Extension of Existing Property Management Contracts: Arcola Towers, Avondale Apartments, Barclay Apartments, Bauer Park Apartments, Camp Hill Square, Dale Drive, Fairfax Court, Manchester Manor Apartments, The Metropolitan, Pooks Hill Court, Residence on the Lane, Shady Grove Apartments, Southbridge, Spring Garden Apartments, Strathmore Court at White Flint, Tanglewood, The Willows, Timberlawn Crescent and Waverly House Apartments

Chelsea Andrews, Executive Director, provided an overview of the presentation requesting approval of the Budget, Finance and Audit Committee recommend to the full Commission execution of an extension of property management contracts with Edgewood, Buzzuto, and Residential One for the management of 19 traditionally managed properties and Executive Director Andrews opened the floor for staff presenters, that included Nathan Bovelleville, Chief Maintenance Officer/Acting Director of Property

Management, and Alex Thorton, Asset Manager. Mr. Bovellet provided the presentation requesting approval of a one year extension of property management contracts for 19-traditionally managed properties as well as 7 Development Corporations or until a completed property management solicitation has been awarded. Staff addressed questions. Commissioner Kelleher applauded staff on their move towards a more sophisticated and standardizing approach for contracting services. A motion was made by Commissioner Nelson and seconded by Commissioner Merkowitz to recommend to the full Commission for approval. Affirmative votes were cast by Commissioners Nelson, Kelleher, and Merkowitz.

6. Extension of Existing Property Management Contracts – Development Corporations: Barclay Apartments, Magruder’s Discovery, Metropolitan, Montgomery Arms, Paddington Square, Pooks Hill, and RAD 6

The discussion of approval of the property management contracts for the 7 Development Corporations was previously discussed. A motion was made by Commissioner Merkowitz and seconded by Commissioner Nelson to forward the request of the Barclay Apartments, Magruder’s Discovery, Metropolitan, Montgomery Arms, Paddington Square, Pooks Hill, and RAD 6 Development Corporations, to extend property management contracts. Affirmative votes were cast by Commissioners Nelson, Kelleher, and Merkowitz.

Based upon this report and there being no further business to come before this session of the Budget, Finance and Audit Committee, the meeting adjourned at 12:03 a.m.

Respectfully submitted,

Chelsea Andrews
Secretary-Treasurer

/pmb

Discussion Items

MEMORANDUM

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

VIA: Chelsea Andrews, Executive Director

FROM: Staff: Timothy Goetzinger, Acting Chief Financial Officer Division: Finance
Terri Fowler, Budget Officer
Vivian Ikoro, Financial Analyst

RE: **Calendar Year 2023 (CY'23) Portfolio Budgets:** Presentation of the CY'23 Portfolio Budgets

DATE: October 21, 2022

BACKGROUND:

Historically, the Commission approved Calendar Year budgets for Low Income Housing Tax Credit ("LIHTC") Partnerships only. The Lindley is operated on a calendar year basis as well; therefore, it is included in the packet for Approval of Calendar Year CY'23 Portfolio Budgets.

Low Income Housing Tax Credit Partnership Budgets

As Managing General Partner, HOC has a fiduciary responsibility for each of the LIHTC Partnerships. The current HOC budget policy stipulates that the financial performance and budgets of the LIHTC Partnerships should be reviewed on the same fiscal year as its partners (December 31). The LIHTC Partnership Budgets require adoption by the Commission, separate from the Agency's general budget process.

There are 16 calendar year LIHTC partnerships that own the following 18 properties:

1. Alexander House LP (Alexander House);
2. Arcola Towers RAD LP (Arcola Towers);
3. Bauer Park Apartments LLC (Bauer Park);
4. Forest Oak Towers LP (Forest Oak Towers);
5. HOC at Georgian Court LLC (Georgian Court);
6. Greenhills Apartments LP (Greenhills);
7. 4913 Hampden Lane LP (Lasko Manor);
8. HOC Willow Manor LLC (3 properties):
 - a. Manor at Cloppers Mill,
 - b. Manor at Colesville,
 - c. Manor at Fair Hill Farm;
9. HOC at Shady Grove Apartments LLC (Shady Grove);

10. Spring Garden One Associates LP (Spring Garden);
11. HOC at Stewarttown Homes LLC (Stewarttown);
12. Tanglewood/Sligo Hills LP (Tanglewood/Sligo Hills);
13. 900 Thayer LP (Fenton Silver Spring);
14. HOC at The Upton II LLC (Residences on the Lane);
15. Waverly House RAD LP (Waverly House); and
16. Wheaton Metro LP (MetroPointe).

As general partner, HOC is responsible for submitting draft copies of the CY'23 Proposed Budgets to the limited partners by November 1, 2022. The budgets are contingent upon the Commission's approval.

Attachment 1 includes the initial compliance period end dates, status of the limited partner exit, and extended use after the initial compliance period for all HOC's calendar year LIHTC partnership properties.

Other Calendar Year Budgets

CCL Multifamily LLC (The Lindley) is a 200-unit high-rise apartment building located in Chevy Chase, Maryland. The unit mix for the building is 120 market units, 40 Moderately Priced Dwelling Units ("MPDU") restricted at 50% Area Median Income ("AMI"), and 40 Workforce Housing units ("WFHU") restricted at 100% Area Median Income AMI. The property operates on a calendar year and is categorized as a discretely presented component unit.

ISSUES FOR CONSIDERATION:

Tax Credit Partnerships

The CY'23 budgets forecast the collection of \$135,531 in Asset Management/Investor Service Fees and Partnership Management Fees from the properties (**Attachment 2**). At year-end, the Asset Management/Investor Service Fees are paid to the limited partner. If sufficient funds remain, the Partnership Management Fees or \$157,212 are paid to the general partner (HOC). All unpaid fees are accrued for payment in future years.

Please note that there are six (6) properties, shaded in peach, that have been resyndicated as new LIHTC transactions and commenced renovations in CY'22 that will continue into CY'23. During renovations, vacancy is anticipated to be higher than normal to support renovations, reserve contributions are placed on hold, and debt service payments are incorporated into the development budgets; therefore, the projected income from operations during CY'23 is not contingent on past performance or indicative of future anticipated property performance. In addition, **Residences on the Lane**, shaded on green, began unit delivery in early CY'22. For these reasons, the properties will not be included in the charts in Attachments 3 through 8.

As the Managing General Partner, HOC is responsible for funding any cash deficits that occur in the operation of the tax credit properties. For CY'23 there are no deficits projected for the tax credit properties

The rent policy for CY'23 allows for in-place rental increases based on the County Executive's "modified" Voluntary Rent Guideline ("CE-VRG") of 1.4%. The CE-VRG was promulgated on February 4, 2022 at 0.4%; however, on May 9, 2022, the County announced a one-time exception and provided authorization for providers to use 1.4% in lieu of the aforementioned published 0.4% VRG for 2022. With the exception of **Arcola Towers, Bauer Park, Forest Oak Towers, Georgian Court, Shady Grove, and Waverly House**, rent increases for all properties within the portfolio are at the CE-VRG. Several properties include Project Based Rental Assistance ("PBRA") units and the rent increases are based on the latest Operating Cost Adjustment Factor ("OCAF") of 2.5% adjusted for the anticipated debt service for the property. As a result, rent increases for Forest Oak Towers and Georgian Court are projecting increases of 1.0%, and 1.9%, respectively, for the PBRA units and 1.4% for unsubsidized units. Arcola Towers, Bauer Park, Shady Grove and Waverly House are projecting 2.5% for PBRA units without adjustments for debt service.

Income from this portfolio is restricted to the properties. The only revenue that comes to HOC is in the form of a Partnership Management Fee, which is projected to be \$157,212 for CY'23. The proposed CY'23 budgets reflect an increase of \$940 or 0.6% in Partnership Management Fees when compared to the CY'22 Approved Budgets. This is as a result of the escalation factor applied annually to several of the properties coupled with the addition of the fees for **Georgian Court** and **Shady Grove** that were almost entirely offset by the removal of fees from **Spring Garden** due to projected cash flow.

The CY'23 Budget for the properties projects modest increases in operating income per unit per annum ("PUPA") for seven (7) of the properties when compared to the CY'22 Budget. In addition, the budgeted operating income at **Bauer Park** is projected to increase 11.1% largely driven by lower vacancy based on the property achieving stabilized occupancy in early CY'23. The decreases at **Lasko Manor, Spring Garden** and **MetroPointe** are largely due to slightly higher vacancy and **Spring Garden** is projected to receive less in laundry income. Income at **Fenton Silver Spring** is also budgeted to decrease due to a more accurate projection for gross rents based on actuals and a declining rate of return from the Solar Renewable Energy Certificate ("SREC") that were largely offset by lower vacancy loss. **(Attachment 3)**.

Operating expenses on a PUPA basis for the properties are projected to increase in the CY'23 Budget at nine (9) of the properties. The total operating expense increases range from 0.2% to 17%. The highest growth rates are at **Arcola Towers, Bauer Park, Greenhills, Lasko Manor** and **Spring Garden**, which expect expense growth rates of 14.4%, 11.8%, 11.3%, 10.5%, and 17%, respectively. Operating expenses at **Arcola Towers** increased as a result of higher administrative and maintenance staffing costs and an increase in projected bad debt expense. **Bauer Park** is projected to increase due to higher administrative and maintenance cost coupled with increased utility expense. The increase at **Greenhills** is primarily due to higher projected maintenance and insurance expenses as well as increases in administrative and utility costs. The operating expense

increase at **Lasko Manor** is largely driven by administrative and maintenance expenses. Operating expenses at **Spring Garden** increased primarily due to higher projected bad debt, administrative, utility, and maintenance costs. (**Attachment 4**).

Operating expenses are projected to decrease 6.8% and 0.4% at **Alexander House** and **Fenton Silver Spring**, respectively. The majority of the decrease at **Alexander House** is a result of lower projected bad debt expense. **Fenton Silver Spring** is projecting a slight reduction in expenses driven by reduced maintenance expense slightly offset by increases in administrative and utility costs.

The net impact of the changes in operating income and expenses is reflected in the net operating income (“NOI”) on a PUPA basis for the LIHTC Portfolio (**Attachment 5**). Changes in NOI from budgeted CY’22 to CY’23 varied across the portfolio. Eight (8) properties are projected to experience a decrease to NOI: 18.1% at **Arcola Towers**, 2.0% at **Forest Oak**, 4.2% at **Greenhills**, 56.0% at **Lasko Manor**, 16.4% at **Spring Garden**, 0.3% at **Tanglewood/Sligo Hills**, 1.2% at **Fenton Silver Spring** and 6.4% at **MetroPointe**. The remaining properties project NOI increases averaging 6.8%.

The minimum Debt Service Coverage Ratio (“DSCR”) requirement of 1.15:1.00 or higher is projected to be achieved for many of the properties except for **Spring Garden** which is projecting 1.01. This is a result of the previously stated higher projected bad debt, administrative, utility, and maintenance costs as well as slightly lower projected occupancy and laundry income. It is important to note that the stated DSC for Alexander House and MetroPointe reflects only the LIHTC portion of the properties. (**Attachment 6**).

Attachment 7 shows the history of PUPA Replacement for Reserves (“RfR”) contributions for the portfolio. The fluctuation in the base required contribution between CY’22 and CY’23 reflects changes due to Bauer Park beginning to make contributions following the renovations. Aside from this, the base required contribution amount has remained relatively flat except for growth due to the escalation factor applied annually to several of the properties. Over the years, a few properties in the portfolio have required increases in their annual contributions as well as the use of property cash or the Opportunity Housing Property Reserve (“OHPR”) to meet their capital needs. **Forest Oak Towers** and **MetroPointe** continue to require increased RfR contributions to meet their current and future years’ capital expenditure needs. Finally, the properties in transition may experience a small amount of capital expenditures during renovations that will be funded by property cash. As stated earlier, the properties will not make RfR contributions until permanent financing and stabilization is achieved. The CY’23 projections for RfR deposits on a PUPA basis by property, including the base and increased amounts, are depicted in **Attachment 8**.

Capital

Attachment 9 shows the capital budget for each property and proposed funding sources as well as the projected RfR balance as of December 31, 2023 based on the planned contributions and expenditures. Increased RfR contributions above the base requirement are intended to prevent

the depletion of the respective property's reserves and support future capital needs denoted in each property's Five Year Capital Plans.

Other Calendar Year Budgets

Income for **The Lindley** is projected to increase 30.6%, largely due to the projected draw from the Opportunity Housing Reserve Fund ("OHRF") to support the additional debt service payments resulting from the change in the investor. The property is also projecting a small decrease in concessions. Operating expenses are projected to grow 3.1%. Although NOI increased 42.7% from CY'22 resulting in a DSCR of 0.97:1.00, if we were to exclude the draw from the OHRF, the adjusted NOI would have fluctuated significantly less, decreasing by 0.4%. Finally, the debt service payments increased approximately 44.6% due to the aforementioned change in investor.

BUDGET IMPACT:

Approval by the Commission of these budgets will allow the Calendar Year Properties to begin operations on January 1, 2023, which is the beginning of their calendar year.

TIME FRAME:

For informal discussion at the October 21, 2022 Budget, Finance and Audit Committee meeting and formal Commission action at the November 2, 2022 meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff requests that the Budget, Finance and Audit Committee join its recommendation to the Commission that the Commission approve the CY'23 Portfolio Budgets.

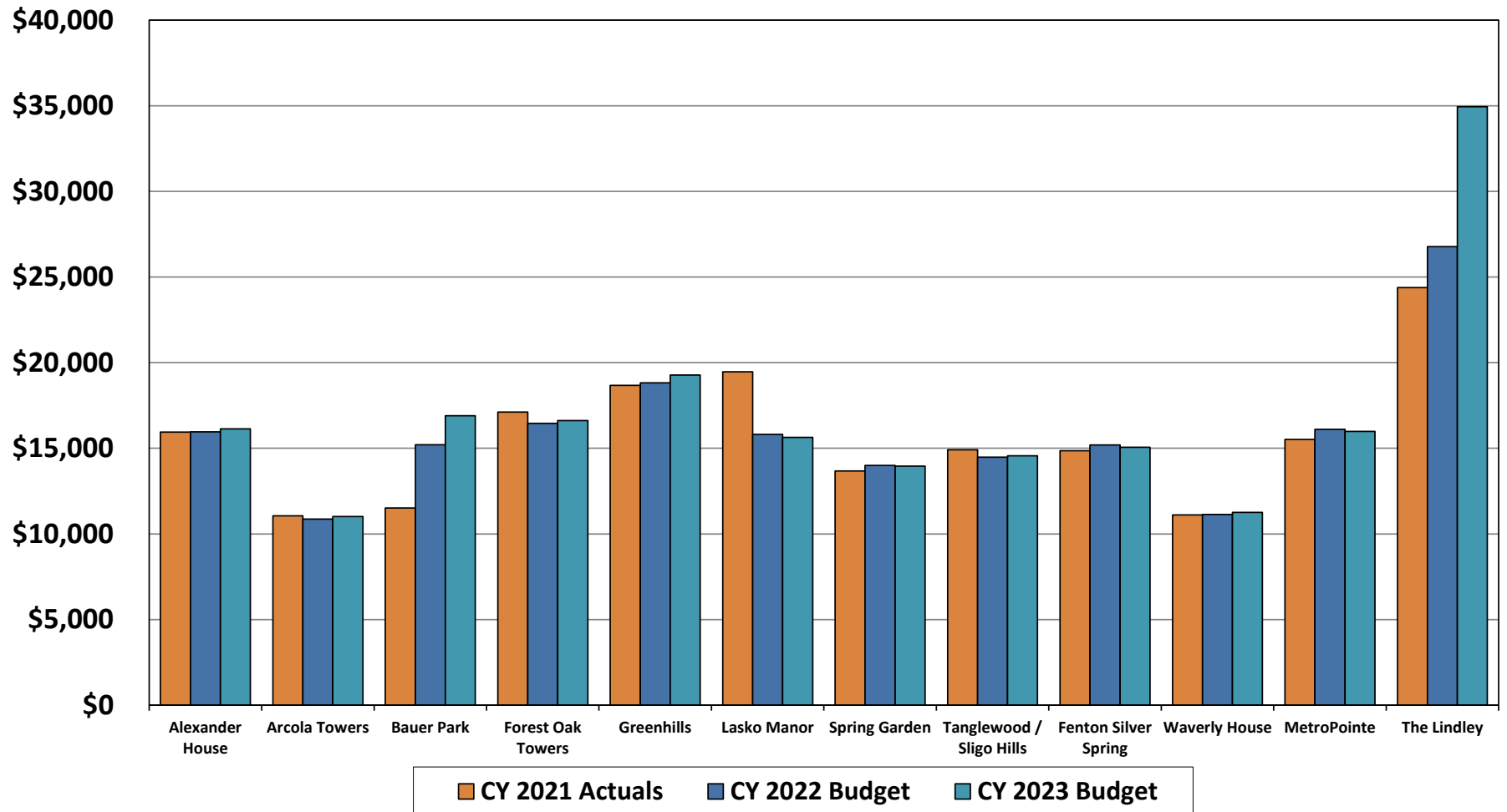
TAX CREDIT COMPLIANCE PERIOD as of October 21, 2022

PROPERTIES	# of Units	INITIAL END DATE: December	Status of Limited Partner Exit	Extended Use after Compliance Period
Spring Garden One Assoc. LP	82	2021	Tentative Resyndication set for 2024	25 Years (2046)
Forest Oak Towers LP	175	2022	Tentative Resyndication set for 2024	25 Years (2047)
Wheaton Metro LP (MetroPointe)	53	2023	Tentative Resyndication set for 2023	25 Years (2048)
4913 Hampden Lane LP (Lasko Manor)	12	2026	Ongoing monitoring	25 Years (2051)
Tanglewood / Sligo Hills LP	132	2027	Ongoing monitoring	25 Years (2052)
Arcola Towers RAD LP	141	2031	Ongoing monitoring	15 Years (2046)
Waverly House RAD LP	157	2031	Ongoing monitoring	15 Years (2046)
Alexander House LP	122	2032	Ongoing monitoring	25 Years (2057)
Greenhills Apartments LP	77	2033	Compliance Period begins in 2018	25 Years (2058)
900 Thayer LP (Fenton Silver Spring)	124	2034	Compliance Period begins in 2019	25 Years (2059)
Bauer Park Apartments LLC	142	2036	Compliance Period begins in 2021	25 Years (2061)
HOC at Stewartown Homes LLC	94	2037	Compliance Period begins in 2022	25 Years (2062)
HOC at The Upton II LLC (Residences on the Lane)	150	2037	Compliance Period begins in 2022	25 Years (2062)
HOC at Georgian Court LLC	147	2037	Compliance Period begins in 2022	25 Years (2062)
HOC at Shady Grove Apartments LLC	144	2037	Compliance Period begins in 2022	25 Years (2062)
HOC at Willow Manor LLC (Manor at Cloppers Mill)	102	2039	Compliance Period begins in 2024	TBD
HOC at Willow Manor LLC (Manor at Colesville)	83	2039	Compliance Period begins in 2024	TBD
HOC at Willow Manor LLC (Manor at Fair Hill Farm)	101	2039	Compliance Period begins in 2023	TBD

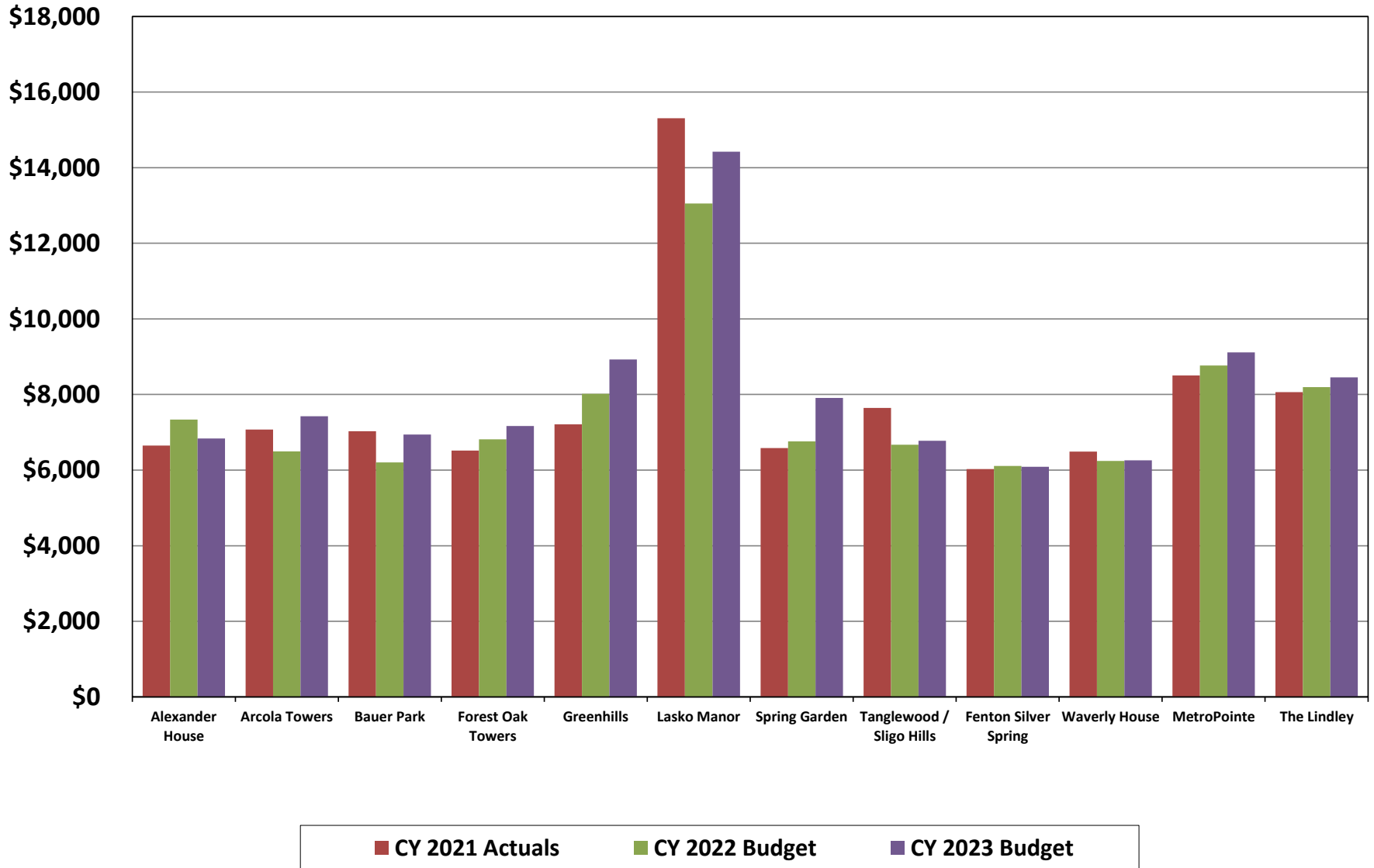
		CY 2023 BUDGET												
CY 2023 Tax Credit Operating Budget	# of Units	Rent Assumptions at Renewal	Total Operating Income	Total Operating Expenses	Net Operating Income	Annual Debt Service	Operating Reserve Contribution	Required RfR Deposits	Additional RfR Deposits	Partners Tax Expense	Cash Flow Before Distribution	Asset Management / Investor Service Fees	Partnership Management Fees	Net Cash Flow
Alexander House LP	122	1.4%	\$1,967,974	\$834,125	\$1,133,849	\$930,707	\$0	\$50,988	\$0	\$0	\$152,154	\$11,940	\$11,940	\$128,274
Arcola Towers RAD LP	141	2.5%	\$1,552,871	\$1,046,909	\$505,962	\$377,801	\$0	\$74,659	\$0	\$0	\$53,502	\$9,384	\$10,500	\$33,618
Bauer Park Apartments LLC	142	2.5%	\$2,399,596	\$985,330	\$1,414,266	\$1,062,818	\$0	\$71,000	\$0	\$0	\$280,448	\$5,460	\$0	\$274,988
Forest Oak Towers LP	175	1.0%	\$2,907,874	\$1,254,495	\$1,653,379	\$1,214,086	\$0	\$70,000	\$130,000	\$0	\$239,293	\$12,840	\$42,120	\$184,333
HOC at Georgian Court LLC	147	1.9%	\$1,618,425	\$883,551	\$734,874	\$0	\$0	\$0	\$0	\$0	\$734,874	\$10,308	\$10,308	\$714,258
Greenhills Apartments LP	77	1.4%	\$1,484,000	\$687,384	\$796,616	\$674,682	\$0	\$30,045	\$0	\$0	\$91,889	\$6,900	\$13,800	\$71,189
4913 Hampden Lane LP (Lasko Manor)	12	1.4%	\$187,652	\$173,079	\$14,573	\$0	\$0	\$4,680	\$0	\$0	\$9,893	\$0	\$5,000	\$4,893
HOC at Willow Manor LLC (Manor at Cloppers Mill)	102	1.4%	\$1,282,307	\$657,781	\$624,526	\$0	\$0	\$0	\$0	\$0	\$624,526	\$0	\$0	\$624,526
HOC at Willow Manor LLC (Manor at Colesville)	83	1.4%	\$1,060,559	\$590,400	\$470,159	\$0	\$0	\$0	\$0	\$0	\$470,159	\$0	\$0	\$470,159
HOC at Willow Manor LLC (Manor at Fair Hill Farm)	101	1.4%	\$1,601,022	\$628,271	\$972,751	\$0	\$0	\$0	\$0	\$0	\$972,751	\$0	\$0	\$972,751
HOC at Shady Grove Apartments LLC	144	2.5%	\$2,570,075	\$1,085,563	\$1,484,512	\$0	\$0	\$0	\$0	\$0	\$1,484,512	\$10,308	\$10,308	\$1,463,896
Spring Garden One Assoc. LP	82	1.4%	\$1,144,383	\$648,572	\$495,811	\$440,536	\$0	\$49,692	\$0	\$0	\$5,583	\$5,583	\$0	\$0
HOC at Stewartown Homes LLC	94	1.4%	\$1,574,518	\$842,834	\$731,684	\$361,614	\$0	\$16,452	\$0	\$0	\$353,618	\$9,684	\$0	\$343,934
Tanglewood / Sligo Hills LP	132	1.4%	\$1,922,685	\$894,623	\$1,028,062	\$644,723	\$0	\$48,060	\$0	\$0	\$335,279	\$6,384	\$25,000	\$303,895
900 Thayer LP (Fenton Silver Spring)	124	1.4%	\$1,866,564	\$754,728	\$1,111,836	\$606,472	\$0	\$46,044	\$0	\$0	\$459,320	\$17,520	\$0	\$441,800
HOC at The Upton II LLC (Residences on the Lane)	150	1.4%	\$3,310,152	\$1,055,343	\$2,254,809	\$1,377,016	\$0	\$46,356	\$0	\$0	\$831,437	\$8,760	\$8,760	\$813,917
Waverly House RAD LP	157	2.5%	\$1,767,499	\$982,764	\$784,735	\$520,397	\$0	\$83,130	\$0	\$0	\$181,208	\$12,672	\$0	\$168,536
Wheaton Metro LP (MetroPointe)	53	1.4%	\$847,593	\$483,013	\$364,580	\$221,643	\$0	\$29,988	\$0	\$0	\$112,949	\$7,788	\$19,476	\$85,685
TOTAL Tax Credit Properties	2,038	1.7%	\$31,065,749	\$14,488,765	\$16,576,985	\$8,432,495	\$0	\$621,094	\$130,000	\$0	\$7,393,396	\$135,531	\$157,212	\$7,100,653

CY 2022 Other Calendar Year Properties Operating Budget	# of Units	Rent Assumptions at Renewal	Total Operating Income	Total Operating Expenses	Net Operating Income	Annual Debt Service	Operating Reserve Contribution	Required RfR Deposits	Additional RfR Deposits	Partners Tax Expense	Cash Flow Before Distribution	Asset Management / Investor Service Fees	Partnership Management Fees	Net Cash Flow
CCL Multifamily LLC (The Lindley)	200	1.4%	\$6,989,713	\$1,690,557	\$5,299,156	\$5,397,587	\$3,000	\$54,636	\$0	\$0	(\$156,067)	\$0	\$0	(\$156,067)
TOTAL Other Properties	200	1.4%	\$6,989,713	\$1,690,557	\$5,299,156	\$5,397,587	\$3,000	\$54,636	\$0	\$0	(\$156,067)	\$0	\$0	(\$156,067)
GRAND TOTAL All Properties	2,238	1.6%	\$38,055,462	\$16,179,322	\$21,876,140	\$13,830,082	\$3,000	\$675,730	\$130,000	\$0	\$7,237,328	\$135,531	\$157,212	\$6,944,585

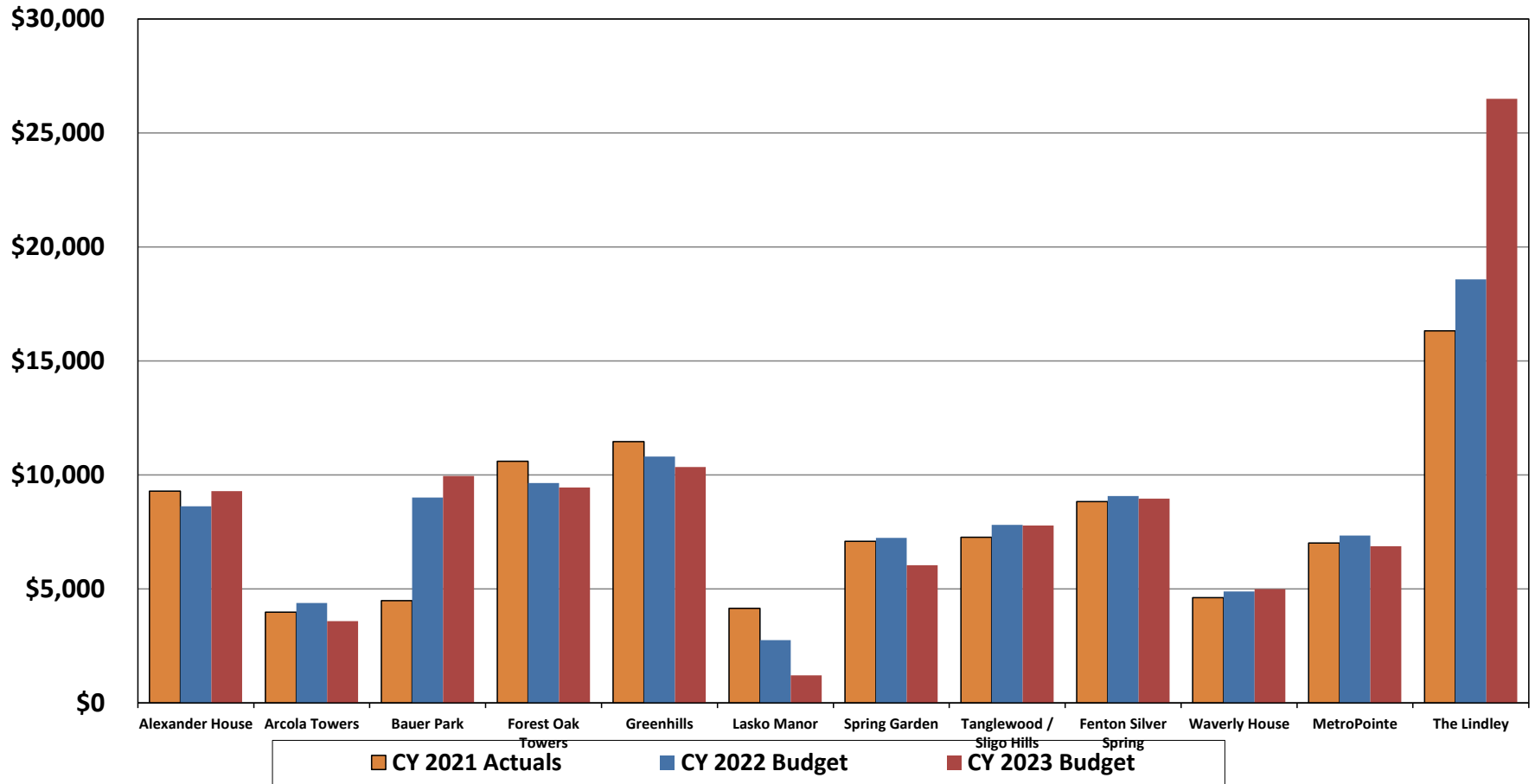
Operating Income (PUPA)



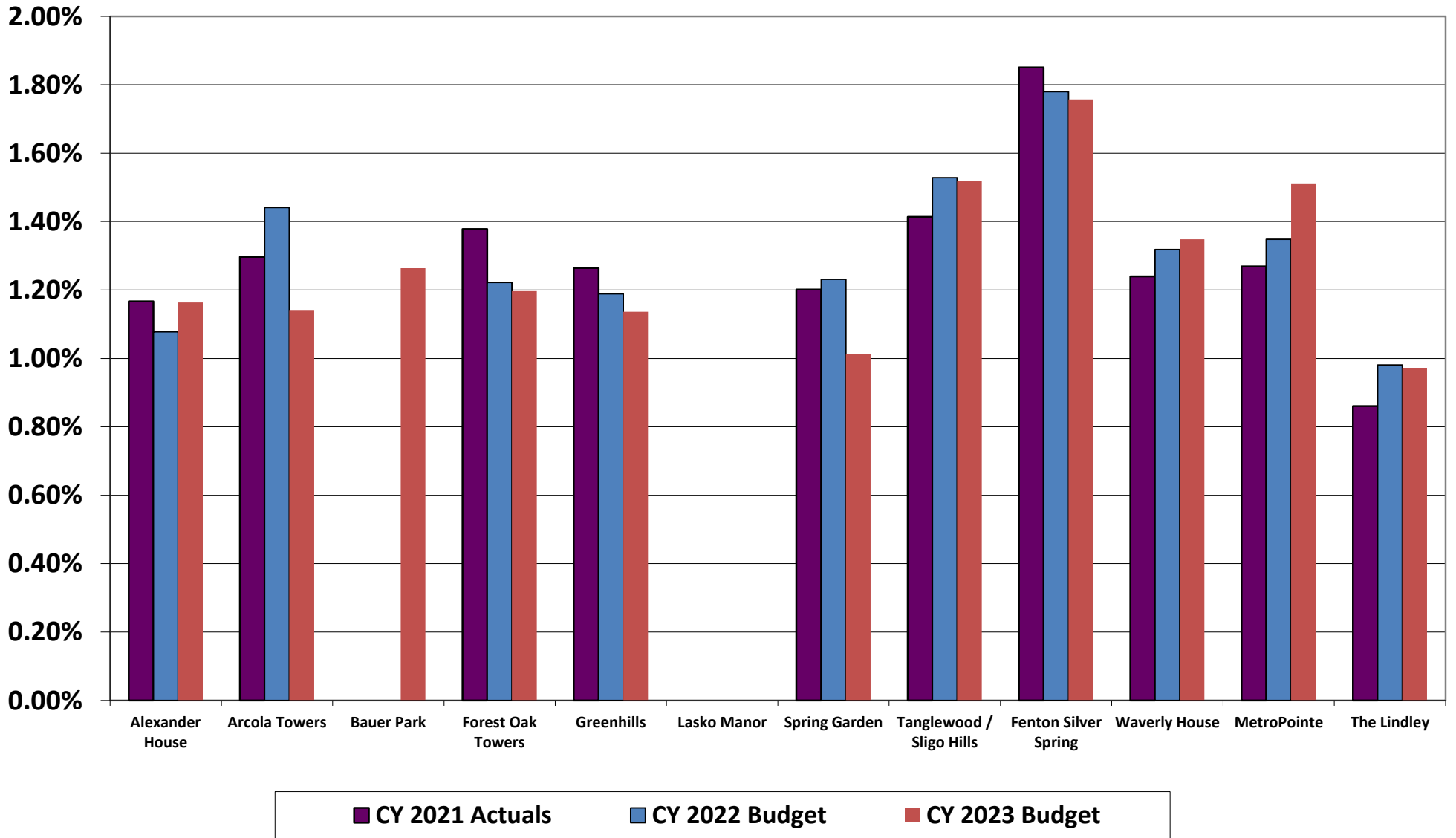
Operating Expenses (PUPA)



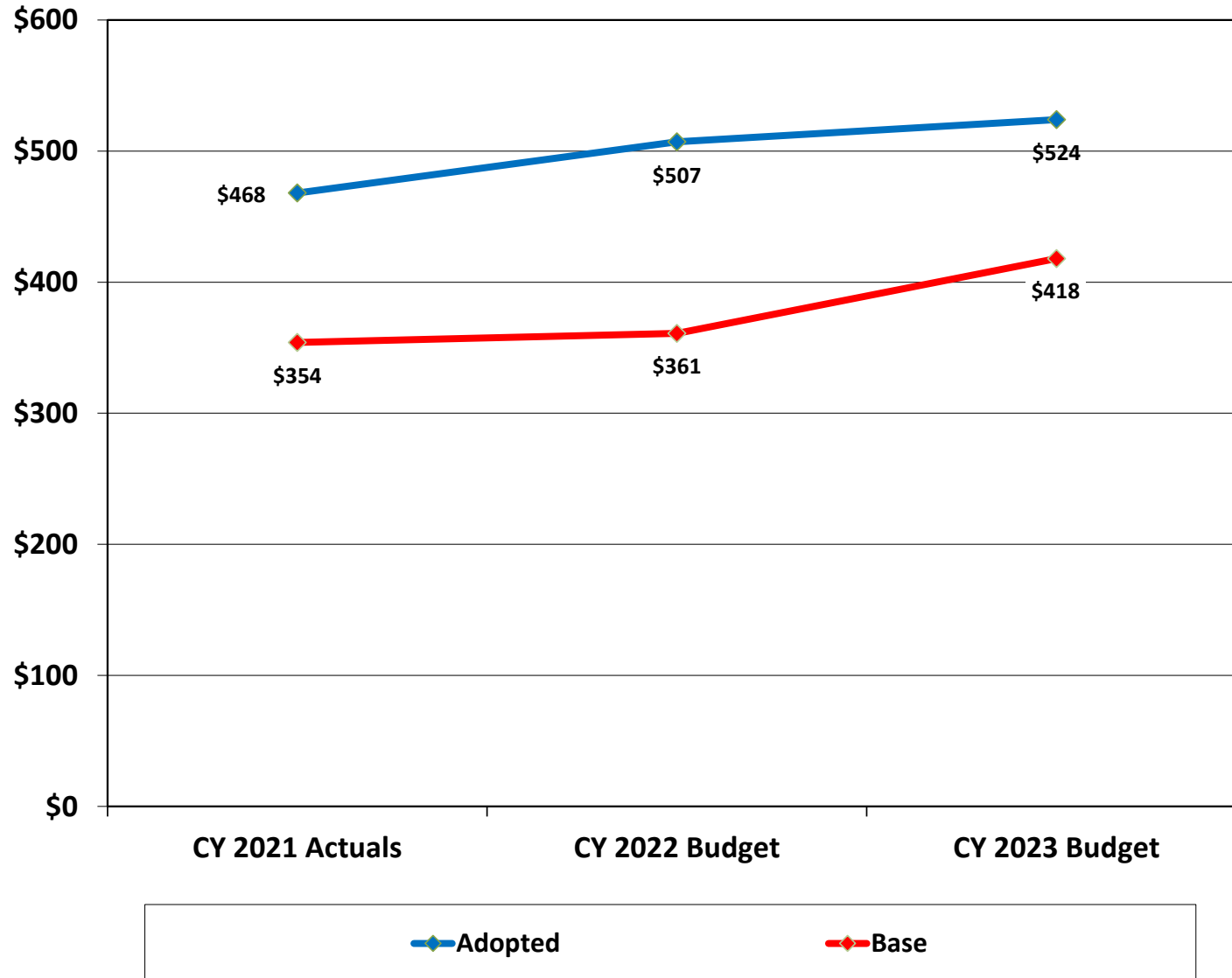
Net Operating Income (PUPA)



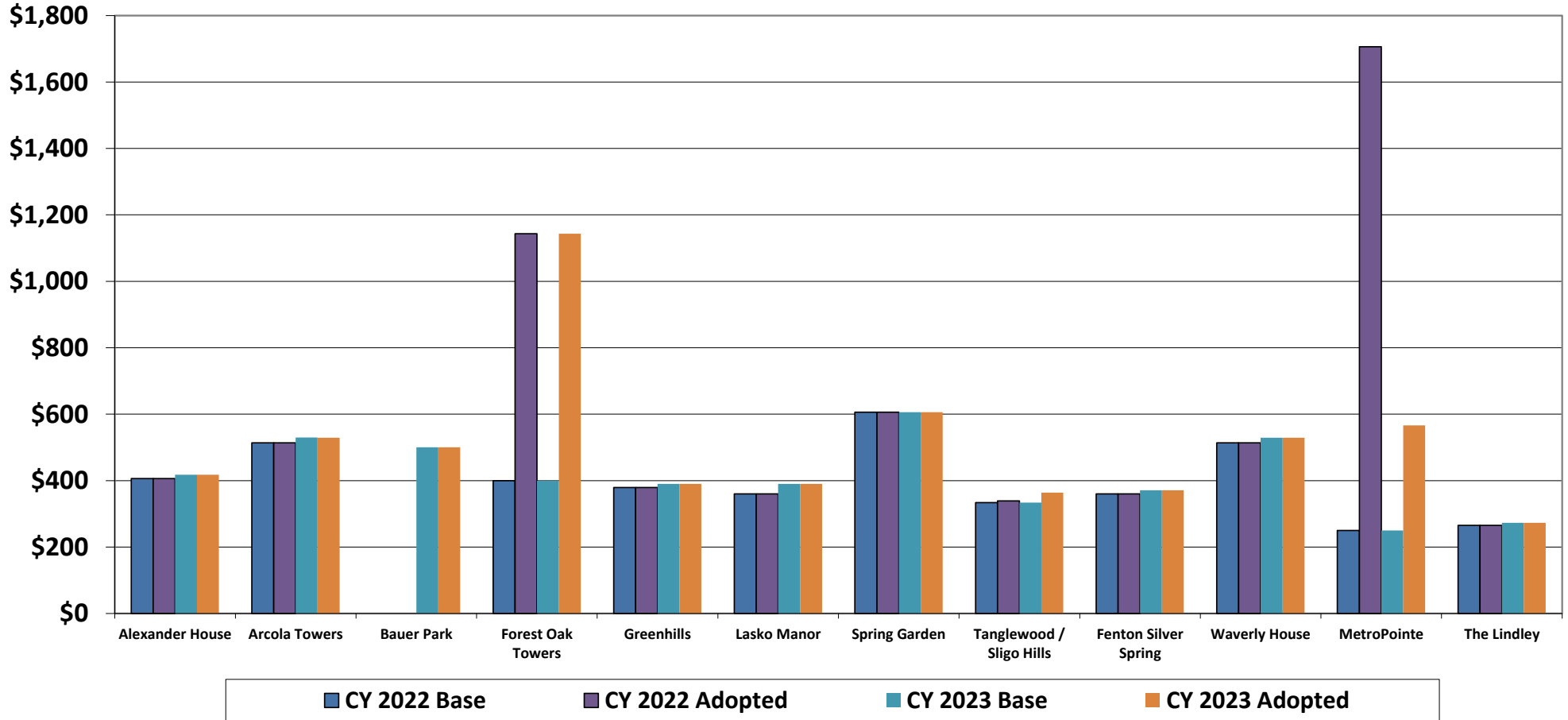
Debt Service Coverage Ratios (DSC)



RfR Contributions (PUPA)



CY 2022 RfR Contributions (PUPA)



CY 2023 Tax Credit Capital Budget	Expenses	Revenue Sources			Projected RfR Balance as of 12/31/2023
		Property Reserves	Additional Revenue Source (Property Cash, OH Property Reserve)	Current Year RfR Deposit	
Alexander House LP	\$24,700	\$24,700	\$0	\$0	\$492,089
Arcola Towers RAD LP	\$22,158	\$22,158	\$0	\$0	\$743,769
Bauer Park Apartments LLC	\$5,600	\$0	\$0	\$5,600	\$65,400
Forest Oak Towers LP	\$439,370	\$271,675	\$0	\$167,695	\$32,305
HOC at Georgian Court LLC	\$7,960	\$7,960	\$0	\$0	\$152,254
Greenhills Apartments LP	\$10,704	\$10,704	\$0	\$0	\$290,038
4913 Hampden Lane LP (Lasko Manor)	\$18,600	\$18,600	\$0	\$0	\$47,187
HOC at Willow Manor LLC (Manor at Cloppers Mill)	\$26,700	\$26,700	\$0	\$0	\$67,716
HOC at Willow Manor LLC (Manor at Colesville)	\$38,060	\$38,060	\$0	\$0	\$33,088
HOC at Willow Manor LLC (Manor at Fair Hill Farm)	\$18,100	\$18,100	\$0	\$0	\$87,520
HOC at Shady Grove Apartments LLC	\$27,778	\$27,778	\$0	\$0	\$181,423
Spring Garden One Assoc. LP	\$33,480	\$33,480	\$0	\$0	\$327,100
HOC at Stewartown Homes LLC	\$49,850	\$16,452	\$33,398	\$0	\$0
Tanglewood / Sligo Hills LP	\$42,084	\$42,084	\$0	\$0	\$195,162
900 Thayer LP (Fenton Silver Spring)	\$10,200	\$10,200	\$0	\$0	\$259,459
HOC at The Upton II LLC (Residences on the Lane)	\$6,000	\$6,000	\$0	\$0	\$85,356
Waverly House RAD LP	\$22,130	\$22,130	\$0	\$0	\$860,661
Wheaton Metro LP (MetroPointe)	\$74,052	\$68,884	\$0	\$5,168	\$24,820
Total Tax Credit Properties	\$877,526	\$665,665	\$33,398	\$178,463	\$3,945,347
CY 2023 Other Calendar Year Capital Budget	Expenses	Property Reserves	Residual Cash	Current Year RfR Deposit	Projected RfR Balance as of 12/31/2023
CCL Multifamily LLC (The Lindley)	\$151,923	\$111,682	\$0	\$40,241	\$14,395
Total Other Calendar Year Properties	\$151,923	\$111,682	\$0	\$40,241	\$14,395
GRAND TOTAL All Properties	\$1,029,449	\$777,347	\$33,398	\$218,704	\$3,959,742

MEMORANDUM

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

VIA: Chelsea Andrews, Executive Director

FROM: Staff: Timothy Goetzinger, Acting Chief Financial Officer Division: Finance
Terri Fowler, Budget Officer

RE: **Fiscal Year 2024 (FY'24) County Operating Budget:** Presentation of the FY'24 County Operating Budget

DATE: October 21, 2022

BACKGROUND:

For the FY'24 Operating Budget season, the Montgomery County Office of Management and Budget ("OMB") has developed a staggered submission schedule from October 28 through November 10 of 2022. Staff has not yet received the Agency's due date. If the date precedes November 3rd, staff will request an extension to November 3, 2022 in order to obtain Commission approval on November 2, 2022.

The FY'24 County Operating Budget Kick-off was held on September 28, 2022. The Agency will be required to submit a baseline budget or Maximum Agency Request Ceiling ("MARC") for FY'24 in an amount not to exceed \$7,633,168. The MARC is based on the FY'23 approved MARC of \$7,633,168 without any adjustments. The FY'23 approved MARC provided funding for the following Agency expenses:

Expense Type	FY'23 Approved MARC
Resident Services (mostly personnel costs)	\$6,326,095
Public / Affordable Housing Electricity	\$530,000
Rental License Fees	\$509,433
Home Ownership Association Fees	\$157,640
Customer Service Centers - Rent	\$100,000
Holy Cross Center @ Elizabeth House	\$10,000
Total	\$7,633,168

Staff has submitted requests for an adjustment of \$282,566 for estimated increases to Resident Services' compensation, health and retirement benefits, and \$5,264 for Rental License Fees related to the acquisition of Battery Lane. The requested adjustments will be discussed during the budget process in order to obtain the County Executive's approval before the County's Recommended Budget is finalized.

ISSUES FOR CONSIDERATION:

Does the Budget, Finance and Audit Committee join staff's recommendation to the Commission to authorize the submission of the FY'24 County Budget MARC of \$7,633,168 to Montgomery County's OMB?

BUDGET IMPACT:

Funding of the FY'24 County Budget MARC is provided as an Operating Grant to HOC. The County Operating Grant is the primary funding source for the Agency's Resident Services Division.

TIME FRAME:

For informal discussion at the October 21, 2022 Budget, Finance and Audit Committee meeting and formal Commission action at the November 2, 2022 meeting.

Once approved by the Commission, the FY'24 County Operating Budget will be submitted to the County.

STAFF RECOMMENDATION:

Staff requests that the Budget, Finance and Audit Committee join its recommendation to the Commission for authorization to submit the proposed FY'24 County Operating Budget of \$7,633,168 to Montgomery County's Office of Management and Budget.

M E M O R A N D U M

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

VIA: Chelsea Andrews, Executive Director

FROM: Staff: Alex Torton, Asset Manager Division: Property Management
Ellen Goff, Acting Director Division: Property Management

RE: **Procurement of Property Management Services:** Renewal of Property Management Contracts for Battery Lane, Bradley Crossing, The Lindley, and The Willow Manor Properties (Willow Manor at Clopper’s Mill, Willow Manor at Colesville and Willow Manor at Fair Hill Farm)

DATE: October 21, 2022

STATUS: Consent _____ Deliberation X Status Report _____ Future Action _____

BACKGROUND:

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

Currently, staff is actively working with the HOC’s Board of Commissioners to create a Property Management solicitation template document that reflects the core values of the Commission. The development of the template is progressing, but it will not conclude before the expiration of certain property management contracts. Prior to the expiration of these renewals herein requested, a full procurement for property management services will be untaken.

The following table identifies the affected properties and provides property information, including the current Property Management Company, annual contract cost, current contract end date, proposed extension start and end date and contract terms remaining:

Count	Property	Type	Current Vendor	Contract Start Date	Annual Renewal Contract Cost	Current Contract End Date	Proposed Renewal Period	Remaining Contract Renewals
1	Battery Lane	Family	Aldon	5/25/2022	\$250,134	11/30/2022	12/1/2022-11/30/2023	0
2	Bradley Crossing	Family	Aldon	6/1/2021	\$251,461	11/30/2022	12/1/2022-11/30/2023	1
3	The Lindley	Family	Bozzuto	10/1/2020	\$147,234	11/30/2022	12/1/2022-11/30/2023	1
4	Willow Manor Properties (Willow Manor at Clopper’s Mill, Willow Manor at Colesville and Willow Manor at Fair Hill Farm)	Senior	Habitat America	12/17/2021	\$146,412	11/30/2022	12/1/2022-11/30/2023	0

This submittal includes contracts for six (6) properties managed by three different property management companies. Those companies include Aldon Management, Bozzuto Management, and Habitat America. These companies have provided property management services to HOC over several years. Their history with HOC is as follows:

Bozzuto – The company has developed, acquired, and built more than 45,000 homes and apartments. Currently, it manages more than 70,000 apartments and 2.2 million square feet of retail space. Bozzuto is currently managing four HOC properties and is our development partner and will be the management company for The Laureate (HOC at Westside Shady Grove) and has begun lease-up and marketing for the new HOC property that will be ready for occupancy in January 2023.

Aldon Management – Aldon constructs, manages, and invests in multi-family properties. Aldon is a newer partner of HOC’s through the recent acquisitions of Bradley Crossing and Battery Lane. Staff have had positive experience with Aldon Management for the two properties.

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

The chart below provides some general information regarding the six (6) properties that are included in this renewal submission:

Count	Property	Location	Total Units	Current Occupancy
1	Battery Lane	Chevy Chase	401	95%
2	Bradley Crossing	Chevy Chase	212	95%
3	The Lindley	Chevy Chase	200	90%
4	Willow Manor at Clopper’s Mill	Germantown	102	74%*
5	Willow Manor at Colesville	Silver Spring	83	80%*
6	Willow Manor at Fair Hill Farm	Olney	101	70%*

***Note: Willow Manor Properties are experiencing lower occupancy as they are currently undergoing or preparing for renovation and the vacancies are intentional to make way for the renovation.**

Property Summary:

Battery Lane – The HOC at Battery Lane properties were acquired from Aldon Properties in May 2022. Aldon is a family-owned real estate company that owns apartment buildings in Bethesda and Chevy Chase, most built in the late 1950s and 1960s. The Battery Lane properties consist of three mid-rise apartment buildings that were built between 1958 – 1961 and have a combined 212 units. Upon acquisition, Aldon Management continued to manage the properties under an initial six (6) month contract with two (2) six-

month renewals. Staff is requesting a one-year renewal subsequent to which, a full procurement for property management services will be undertaken.

Bradley Crossing – The Bradley Crossing properties were acquired from Aldon Properties in June 2021. The Bradley Crossing portfolio contains seven (7) properties, totaling 401 units. Upon acquisition, Aldon Management continued to manage the properties under a one (1) year contract with two (2) one-year renewals. Staff is requesting approval of the first one-year renewal.

The Lindley – The Lindley (CCL Multifamily LLC) is a 200-unit property that completed construction in 2018. The property is currently managed by Bozzuto Management under a two (2) year contract that began in October 2020 with two (2) one-year renewals. Staff is requesting approval of the first one-year renewal.

Willow Manor Properties – HOC acquired the three Willow Manor Properties in November 2018. Willow Manor at Clopper’s Mill consists of 102 apartments in Germantown and was constructed in 2005; Willow Manor at Colesville consists of 83 apartments in Silver Spring and was constructed in 2004; and Willow Manor at Fair Hill Farm consists of 101 apartments in Olney and was constructed in 2005. The age-restricted (62+) properties all reached the end of their initial Low Income Housing Tax Credit (“LIHTC”) period and underwent a LIHTC re-syndication and renovations began in January 2022. The current contract began on December 17, 2021 for a one-year term, with one (1) one-year renewal. Staff is requesting approval of a one-year renewal and a full procurement for property management services will be undertaken.

ISSUES FOR CONSIDERATION:

Will the Budget, Finance and Audit Committee join staffs’ recommendation to the Commission to approve the renewal of the property management contracts with Aldon, Bozzuto, and Habitat America for Battery Lane, Bradley Crossing, The Lindley, and The Willow Manor Properties?

BUDGET IMPACT:

The extension of the property management contracts will not have an adverse budget impact for the 2023 operating budget. The costs associated with the services are included in the property budgets. Additionally, the contracts will be performance-based so fees will be lower in the event revenues decline below budgeted expectations or if a property receives less than an 80 on a REAC inspection.

TIME FRAME:

For informal discussion at the Budget, Finance and Audit Committee meeting on October 21, 2022 and for formal Commission action at the November 2, 2022 meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Budget, Finance and Audit Committee join staffs’ recommendation to the Commission to approve the renewal of the property management services contracts with the respective management companies heretofore discussed, for Battery Lane, Bradley Crossing, The Lindley, and The Willow Manor Properties for one year through November 30, 2023.