

Revised: February 16, 2023



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



## BUDGET, FINANCE AND AUDIT COMMITTEE

February 17, 2023

10:00 a.m.

YouTube Link: <https://youtube.com/live/1ydbvZdxvVY?feature=share>

### Approval of Minutes:

Title	Page #
1. <b>Minutes:</b> Approval of Budget, Finance and Audit Committee Minutes of December 21, 2022	03

### Action/Discussion Items:

Title	Page #
1. <b>Fiscal Year 2023 (FY'23) Second Quarter Budget to Actual Statements:</b> Presentation of Second Quarter FY'23 Budget to Actual Statements	07
2. <b>Fiscal Year 2023 (FY'23) Second Quarter Unaudited Financial Statements:</b> Presentation of the Unaudited Financial Statements for the Second Quarter ended December 31, 2022	19
3. <b>Fiscal Year 2023 (FY'23) Second Quarter Budget Amendment:</b> Presentation of the FY'23 Second Quarter Budget Amendment	37
4. <b>Uncollectible Tenant Accounts Receivable:</b> Presentation of Request to Write-Off Uncollectible Tenant Accounts Receivable (October 1, 2022 – December 31, 2022)	39
5. <b>Cider Mill Apartments:</b> Emergency Procurement to Select Contractors to Repair or Replace Mansard and Flat Roofs at Cider Mill Apartments	43

# Minutes

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

**Budget, Finance and Audit Committee Minutes**

**December 21, 2022**

For the official record of the Housing Opportunities Commission of Montgomery County, an open meeting of the Budget, Finance and Audit Committee was conducted via an online platform and teleconference on Wednesday, December 21, 2022, with moderator functions occurring 10400 Detrick Avenue, Kensington, Maryland beginning at 1:02 p.m. There was a livestream of the meeting held on YouTube, available for viewing [here](#). Those in attendance were:

**Present via Zoom**

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

**Also Attending**

Chelsea Andrews, Executive Director

Aisha Memon, General Counsel

Terri Fowler, Budget Officer

Ellen Goff

Zachary Marks

Leidi Reyes

John Wilhoit

Sewavi Prince

Kayrine Brown, Deputy Executive Director

Timothy Goetzinger, Acting Chief Financial Officer

Claudia Wilson

Alex Torton

Fred Swan

Fozia Malik

Marcus Ervin

Francisco Vega

**IT Support**

Aries “AJ” Cruz

**Commission Support**

Patrice Birdsong, Special Assistant

Chair Nelson opened the meeting with a welcome and introduction of Commissioners. Chair Nelson began the meeting with the approval of the minutes.

**APPROVAL OF MINUTES**

The minutes of October 21, 2022, open session were approved as submitted with a motion by Commissioner Kelleher and seconded by Commissioner Merkowitz. Affirmative votes were cast by Commissioners Nelson, Kelleher, and Merkowitz.

**ACTION/DISCUSSION ITEMS**

**1. Fiscal Year 2023 First Quarter Budget to Actual Statements: Presentation of First Quarter FY'23 Budget to Actual Statements**

Chelsea Andrews, Executive Director, provided an introduction of Timothy Goetzinger, Chief Development Funds Officer/Acting Chief Financial Officer, and Terri Fowler, Budget Officer, provided the presentation. Staff addressed questions. No action was taken by the Committee.

**2. Fiscal Year 2023 First Quarter Unaudited Financial Statements: Presentation of the Unaudited Financial Statements for the First Quarter Ended September 30, 2022**

Chelsea Andrews, Executive Director, provided an overview of the presentation and introduced Timothy Goetzinger, Chief Development Funds Officer/Acting Chief Financial Officer, and Francisco Vega, Assistant Controller, who provided the presentation. No action was taken by the Committee.

**3. Uncollectible Tenant Accounts Receivable: Presentation of Request to Write-off Uncollectible Tenant Accounts Receivable (July 1, 2022 – September 30, 2022)**

Chelsea Andrews, Executive Director, introduced Timothy Goetzinger, Chief Development Funds Officer/Acting Chief Financial Officer, who provided the presentation. A motion was made by Commissioner Kelleher and seconded by Commissioner Merkowitz to recommend to the full Commission authorizing the write-off of uncollectible tenant accounts receivable. Affirmative votes were cast by Commissioners Nelson, Kelleher, and Merkowitz.

**4. Procurement of Property Management Services: Renewal of Property Management Contract for Elizabeth House**

Chelsea Andrews, Executive Director, provided an overview of the presentation, introducing Ellen Goff, Acting Director of Property Management, and Alex Torton, Asset Manager, as presenters. A motion was made by Commissioner Kelleher and seconded by Commissioner Merkowitz to recommend to the full Commission approval to renew the property management services contract with Edgewood Management for Elizabeth House for five (5) months through June 30, 2023, with up to an additional six (6) months of renewals on a monthly basis. Affirmative votes were cast by Commissioners Nelson, Kelleher, and Merkowitz. Commissioner Kelleher acknowledged the passing of Bruce Lee, a critical contributor to the Elizabeth House property and its entire redevelopment for the past several years.

**5. Revision of Fiscal Year 2022 Fourth Quarter Budget to Actual Statements: Presentation of Revised FY'22 Fourth Quarter Budget to Actual Statements**

Chelsea Andrews, Executive Director, provided an overview of the presentation, introducing Timothy Goetzinger, Chief Development Funds Officer/Acting Chief Financial Officer, and Terri Fowler, Budget Officer, who provided the presentation. A motion was made by Commissioner Kelleher and seconded by Commissioner Merkowitz to recommend to the full Commission acceptance of the Revised Fourth Quarter FY'22 Budget to Actual Statements. 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 1:44 p.m.

Respectfully submitted,

Chelsea Andrews  
Secretary-Treasurer

/pmb

# Discussion Items

**M E M O R A N D U M**

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

**VIA:** Chelsea Andrews, Executive Director

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

**RE:** **Fiscal Year 2023 (FY'23) Second Quarter Budget to Actual Statements:**  
Presentation of Second Quarter FY'23 Budget to Actual Statements

**DATE:** February 17, 2023

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**BACKGROUND:**

The Executive Director is presenting the Second Quarter Budget to Actual statements and amendments to the Budget, Finance and Audit Committee for review. Staff will present any proposed budget amendments and recommendations to the full Commission for formal action.

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**ISSUES FOR CONSIDERATION:**

To assess the financial performance of the Housing Opportunities Commission of Montgomery County ("Agency") for the second quarter of FY'23 against the budget for the same period.

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**BUDGET IMPACT:**

A second quarter budget amendment will be informally discussed with the Budget, Finance and Audit Committee at the February 17, 2023 meeting. The Commission will be asked to approve the second quarter budget amendment at the March 8, 2023 Commission meeting. Future amendments will be presented to the Commission as necessary.

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**TIME FRAME:**

For informal discussion at the February 17, 2023 Budget, Finance and Audit Committee meeting.  
For formal Commission action at the March 8, 2023 meeting.

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**STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:**

Staff recommends that the Budget, Finance and Audit Committee join its recommendation to the Commission to accept the Second Quarter FY'23 Budget to Actual Statements.

## **DISCUSSION – SECOND QUARTER BUDGET TO ACTUAL STATEMENTS**

This review of the Budget to Actual Statements for the Agency through the second quarter of FY'23 consists of an overall summary and additional detail on the Opportunity Housing properties, the Development Corporation properties, the Housing Choice Voucher (“HCV”) Programs and all Capital Improvements Budgets.

### **HOC Overall (see Attachment A)**

The Agency’s Audited Financial Statements are presented on an 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’23 Second 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’23 Second Quarter Budget to Actual Comparison for Capital Expenses.

The Agency ended the quarter with a net cash flow deficit of **(\$589,629)**. This deficit resulted in a second quarter budget to actual negative variance of **(\$943,510)** when compared to the anticipated second quarter net cash flow surplus of \$344,881. The primary causes were lower unrestricted cash flow in some of the unrestricted Opportunity Housing properties as a result of property performance (see Opportunity Housing Fund) coupled with lower income in the General Fund partially offset by savings in various expense categories in the fund (see General Fund).

### **Explanations of Major Variances by Fund**

The **General Fund** consists of the basic overhead costs for the Agency. This fund ended the quarter with a deficit of **(\$3,485,860)**, which resulted in a positive variance of \$999,226, when compared to the projected deficit of **(\$4,485,086)**.

As of December 31, 2022, income in the General Fund was \$2,311,255 lower than budgeted and expenses were \$3,310,481 lower than budgeted. The negative income variance was primarily the result of delays in the receipt of the Commitment and Development Fees for the Metropolitan and Development Fees for the Leggett and Residences on the Lane. The Metropolitan financing has moved to December 2023; therefore, the respective fees will not be received in FY’23. The opening of The Leggett is now anticipated for the second quarter of calendar year 2023 and will result in the payment of the initial development fee at that time. Delays in the lease-up at Residences on the Lane delayed achieving stabilized operations, which in turn has delayed receipt



of the Developer Fee, now anticipated for mid-2023. In addition, there are lower draws from the Opportunity Housing Reserve Fund (“OHRF”) for Real Estate personnel and predevelopment costs.

The positive expense variance was primarily the result of lapse in salary and benefits coupled with savings in professional services, computer software, maintenance contracts, COVID-19 expense and savings in capital projects, which resulted in lower transfers from the operating budget to cover the cost of the projects.

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

Income (the bond drawdowns that finance the administrative costs for these funds) is in line with the budget. The positive expense variance in both Bond Funds is a result of lapse in salary and benefits.

### **The Opportunity Housing Fund**

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

The first group includes properties that were budgeted to provide unrestricted net cash flow toward the Agency’s FY’23 Operating Budget. This group ended the quarter with cash flow of \$2,231,519 or \$945,410 lower than projected.

- **Alexander House Dev Corp** ended the quarter with a deficit of **(\$501,213)**, which resulted in a negative cash flow variance of \$366,103 when compared to the projected deficit primarily from greater than anticipated bad debt, maintenance, and utility expenses partially offset by savings in administrative costs. The anticipated deficit **The Barclay Dev Corp** was \$71,609 more than anticipated due to overages in maintenance, utilities, and administrative expenses partially offset by slightly higher gross rents and lower concessions. **Glenmont Crossing Dev Corp** experienced a negative cash flow variance of \$38,284 resulting from higher vacancy loss coupled with higher bad debt expense partially offset by savings in administrative and maintenance expenses. Cash flow for **Magruder’s Discovery Dev Corp** was \$96,686 lower than budget through the second quarter based on higher vacancy loss as well as overages in maintenance expenses and slightly higher bad debt expense partially offset by savings in administrative and utility costs. The **Metropolitan Dev Corp** ended the quarter with a positive cash flow variance of \$104,448 resulting from higher gross rents, slightly lower vacancy loss, and the receipt of a settlement payment from a previous retail tenant for vacating early. Cash flow at **Montgomery Arms Dev Corp** was \$40,755 lower than anticipated primarily due to higher maintenance and bad debt expenses coupled with lower gross rents and laundry income, which were partially offset by savings in administrative costs. **MPDU 59 Dev Corp** experienced a negative cash flow variance of \$63,801 due to greater than anticipated bad debt coupled with higher vacancy loss partially offset by savings in maintenance costs.

**Paddington Square Dev Corp** reported a negative variance of \$112,522 due to higher bad debt, maintenance and administrative expenses coupled with slightly lower gross tenant rents partially offset by lower vacancy loss and savings in utilities. Cash flow for **Pooks Hill High-Rise** was \$34,863 less than budget primarily due to overages in maintenance and bad debt expenses. Cash flow at **VPC One Dev Corp** experienced a negative cash flow variance of \$408,399 due to greater than anticipated bad debt, maintenance, administrative and tax expenses partially offset by higher gross rents, lower concessions, and lower vacancy loss. **VPC Two Dev Corp** experienced a positive cash flow variance of \$190,485 due to higher gross rents and lower vacancy loss coupled with savings in maintenance, administrative, and utility expenses partially offset by overages in bad debt expense.

The second group consists of properties whose cash flow will not be used for the Agency's FY'23 Operating Budget. Cash flow from this group of Development Corporation properties was \$145,510 less than budgeted through December 2022.

- **MetroPointe** experienced a positive cash flow variance of \$69,689 resulting from higher gross rents and lower vacancy loss coupled with savings in administrative and maintenance costs that were partially offset by overages in bad debt and security expenses. Cash flow at the **Oaks at Four Corners Dev Corp** was \$46,672 higher than anticipated due to savings in administrative and utility expenses coupled with lower vacancy loss partially offset by overages in maintenance costs. The **RAD 6 Dev Corp** properties ended the quarter with a shortfall of **(\$448,835)**, which resulted in a negative cash flow variance of \$261,871 when compared to the projected shortfall of **(\$186,964)**. Collectively, this resulted from overages in bad debt and maintenance expenses coupled with higher vacancy loss partially offset by savings in administrative and utility expenses.

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

The first group includes properties that were budgeted to provide unrestricted net cash flow toward the Agency's FY'23 Operating Budget. This group ended the quarter with cash flow of \$664,712 or \$988,326 less than projected.

- Cash flow at **MPDU I (64)** was \$156,931 lower than anticipated because of overages in bad debt and maintenance expenses coupled with higher vacancy loss and lower gross rents. **Avondale Apartments** reported a negative cash flow variance of \$62,260 based on higher vacancy loss coupled with higher maintenance costs and debt service, due to increased rates on the PNC Real Estate Line of Credit ("RELOC"), partially offset by slightly higher gross tenant rents and administrative savings. **Barclay Affordable** experienced a positive cash flow variance of \$58,286 resulting from savings in utility expenses and lower bad debt expense coupled with slightly higher gross rents partially offset by overages in maintenance and administrative costs. A portion of the savings in utilities is related to the split of costs with Barclay Dev Corp that is being reviewed by the management company to determine if a

correction is warranted. **Bradley Crossing** ended the quarter with a negative variance of \$225,753 as a result of lower gross rents and higher vacancy loss coupled with overages in maintenance costs and debt expenses, due to increased rates on the PNC Real Estate Line of Credit (“RELOC”), that were partially offset by savings in administrative, utility and bad debt expenses. **Camp Hill Square** experienced a negative cash flow variance of \$106,448 because of higher vacancy loss coupled with higher maintenance and bad debt expenses that were partially offset by slightly higher gross rents and lower administrative and utility costs. Cash flow for **Chelsea Towers** was \$53,510 lower than anticipated because of the early payoff of the county loan for at the property. **Elizabeth House Interim RAD** ended the quarter with a negative cash flow variance of \$38,323 as a result of overages in most expenses categories that was partially countered by higher tenant income. **Fairfax Court** ended the quarter with negative cash flow variances of \$41,418 because of higher than anticipated maintenance, bad debt, and administrative expenses. **Georgian Court Affordable** and **Shady Grove Apartments**, which were resyndicated as Low Income Housing Tax Credit (“LIHTC”) properties in December 2021, incurred audit expense related to the CY’21 audit. **Manchester Manor** reported a negative cash flow variance of \$56,860 due to overages in most expense categories coupled with slightly lower gross rents and higher vacancy loss. Cash flow for **McHome** was \$19,414 lower than budget based on higher vacancy loss and slightly lower gross rents. **McKendree** experienced a negative cash flow variance of \$25,518 as a result of overages in bad debt, maintenance, and utility expenses. Cash flow for **MHLP VII** was \$60,400 lower than projected as a result of higher vacancy loss coupled with overages in bad debt and utility expenses partially offset by savings in maintenance cost. **MHLP IX Scattered Sites** experienced a negative cash flow variance of \$101,721 mainly due to overages bad debt, maintenance, and utility expenses coupled with higher vacancy loss partially countered by higher gross rents. **Pooks Hill Mid-Rise** experienced a negative cash flow variance of \$40,683 primarily as a result of higher security expense, resulting from a fire watch at the property due to a faulty fire panel that has since been replaced, coupled with overages in maintenance and utility costs partially offset by higher gross rents and lower concessions. Cash flow for **TPP LLC Timberlawn** was \$68,821 more than anticipated due to savings in most expense categories, higher gross rents and lower concessions partially countered by higher vacancy loss and bad debt expense at the property. **Westwood Towers** experienced a negative cash flow variance of \$38,903 because of higher administrative, maintenance, security and bad debt expenses coupled with higher concessions that were partially offset by lower vacancy loss and higher parking income coupled with savings in utility costs. Cash flow at **The Willows** was \$46,216 lower than anticipated due to overages in maintenance and bad debt expenses that were partially offset by higher gross rents and lower vacancy loss coupled with savings in administrative and utility expenses.

The second group consists of properties whose cash flow will not be used for the Agency’s FY’23 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 \$408,851 less than budgeted.

- The demolition of **The Ambassador** was completed in April of 2020. The property experienced expenses of \$24,364 mainly driven by interest paid on the outstanding debt on the PNC RELOC and taxes. There are sufficient reserves at the property to cover the costs. **Battery Lane**, which was acquired on May 25, 2022 ended the quarter with a negative cash flow variance of \$55,222 largely due to lower gross rents and higher vacancy loss partially offset by savings in administrative, tenant services, and maintenance expenses. **Brooke Park** experienced a negative cash flow variance of \$76,243, mainly resulting from a delay in occupying the units post renovation coupled with overages in administrative and maintenance expenses. Cash flow at **Brookside Glen** was \$19,063 lower than anticipated due to higher maintenance, utility, and security expenses coupled with lower gross rents that were partially offset by savings in administrative costs and lower vacancy loss. **Cider Mill** reported a small negative cash flow variance of \$11,877 due to higher vacancy loss coupled with higher bad debt, utility and security expenses partially offset by savings in maintenance and administrative expenses. **Diamond Square** ended the quarter with a negative cash flow variance of \$82,322 primarily resulting from overages in maintenance and utility costs coupled with slightly lower gross rents and higher vacancy loss that were partially offset by savings in bad debt and administrative expenses. Cash flow for the **NCI** units collectively was \$61,278 lower than budget due to three of the fourteen units remaining vacant coupled with overages in maintenance and bad debt expenses. **Paint Branch** experienced a negative cash flow variance of \$17,719 due to lower gross tenant rents coupled with slightly higher vacancy loss and bad debt expense partially offset by small savings in maintenance, administrative and utility costs. Cash flow for **Southbridge** was \$31,959 more than anticipated based on savings in maintenance and utility expenses coupled with lower vacancy loss. **State Rental Combined** experienced a negative cash flow variance of \$106,402 because of higher vacancy loss coupled with overages in bad debt expense that were countered by savings in maintenance and administrative expenses.

#### **The Public Fund (Attachment D)**

- The Housing Choice Voucher Program (“HCVP”) ended the quarter with a surplus of \$948,395. The surplus was comprised of Housing Assistance Payments (“HAP”) revenue that exceeded HAP expense by \$64,491 coupled with an administrative surplus of \$883,904. The HAP surplus will be restricted to the HCVP reserve known as the Net Restricted Position (“NRP”), which includes funds received in prior years that were recognized but not used. The administrative surplus was the result of higher than anticipated administrative fee income coupled with savings in administrative expenses due largely to staff turnover. The higher administrative fee income was primarily the result of a higher proration factor that was changed from 88% to 89.2% coupled with the increased utilization rate and fees received to support the Emergency Housing vouchers.

#### **Tax Credit Partnerships**

The Tax Credit Partnerships have a calendar year end.

### **The Capital Budget (Attachment E)**

Attachment E is a chart of the Capital Improvements Budget for FY'23. The chart is grouped in two sections – General Fund and Opportunity Housing properties. This report is being presented for information only. Most of the variances in the capital budgets reflect timing issues. Capital projects are long-term; therefore, it is difficult to analyze each project on a quarterly basis. We will keep the Commission informed of any major issues or deviations from the planned Capital Improvements Budget.

- **Manchester Manor** has exceeded its FY'23 capital budget due to work required for the Real Estate Assessment Center (“REAC”) inspection. **Metropolitan Affordable** spent more than budgeted because of the unanticipated replacement of the building water heater. **Paddington Square** overspent because of unanticipated pipe replacements and turnover costs to assist Friendly Gardens (site of the 2021 building explosion). There were also nominal overages at **Brooke Park, Camp Hill Square, Elizabeth House RAD, 617 Olney Sandy Spring Road**, the **NCI** units, **Parkway Woods** and **Sandy Spring Meadow**.

## FY 2023 Second Quarter Operating Budget to Actual Comparison

	Unrestricted Net Cash Flow		
	(6 Months) Budget	(6 Months) Actual	Variance
<b>General Fund</b>			
General Fund .....	(\$4,485,086)	(\$3,485,860)	\$999,226
<b>Administration of Multifamily and Single Family Fund</b>			
Multifamily Fund .....	\$102,884	\$170,686	\$67,802
Draw from / (Restrict to) Multifamily Bond Fund .....	(\$102,884)	(\$170,686)	(\$67,802)
Single Family Fund .....	\$62,119	\$149,337	\$87,218
Draw from / (Restrict to) Single Family Bond Fund .....	(\$62,119)	(\$149,337)	(\$87,218)
<b>Opportunity Housing Fund</b>			
Opportunity Housing Properties .....	\$1,653,038	\$664,712	(\$988,326)
Development Corporation Property Income .....	\$3,176,929	\$2,231,519	(\$945,410)
<b>OHRF</b>			
OHRF Balance .....	\$2,967,826	(\$35,611)	(\$3,003,437)
Excess Cash Flow Restricted .....	(\$2,967,826)	\$0	\$2,967,826
Draw from existing funds .....	\$0	\$35,611	\$35,611
<b>Net -OHRF</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>SUBTOTAL - General Fund, Multifamily, Single Family, Opportunity Housing</b>	<b>\$344,881</b>	<b>(\$589,629)</b>	<b>(\$934,510)</b>

<b>Public Fund</b>			
(1) Housing Choice Voucher Program HAP .....	(\$3,174,948)	\$64,491	\$3,239,439
(2) Housing Choice Voucher Program Admin .....	(\$210,213)	\$883,904	\$1,094,117
<b>Total -Public Fund</b>	<b>(\$3,385,161)</b>	<b>\$948,395</b>	<b>\$4,333,556</b>
<b>Public Fund - Reserves</b>			
(1) Draw from / Restrict to HCV Program Cash Reserves .....	\$3,174,948	(\$64,491)	(\$3,239,439)
(2) Draw from / Restrict to HCV Program Excess Admin Fee .....	\$210,213	(\$883,904)	(\$1,094,117)
<b>SUBTOTAL - Public Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>TOTAL - All Funds</b>	<b>\$344,881</b>	<b>(\$589,629)</b>	<b>(\$934,510)</b>
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## FY 2023 Second Quarter Operating Budget to Actual Comparison

	Capital Expenses		Variance
	(12 Months) Budget	(6 Months) Actual	
<b>General Fund</b>			
880 Bonifant .....	\$50,000	\$4,483	\$45,517
East Deer Park .....	\$207,000	\$0	\$207,000
Kensington Office .....	\$100,000	\$25,523	\$74,477
Information Technology .....	\$915,000	\$145,422	\$769,578
<b>Opportunity Housing Fund</b>	<b>\$6,321,728</b>	<b>\$3,537,493</b>	<b>\$2,784,235</b>
<b>TOTAL - All Funds</b>	<b>\$7,593,728</b>	<b>\$3,712,921</b>	<b>\$3,835,290</b>

## FY 2023 Second Quarter Operating Budget to Actual Comparison

### Development Corp Properties - Net Cash Flow

	(6 Months)	Variance		(6 Months)	Variance
	Net Cash Flow Budget	Income	Expense	Net Cash Flow Actual	
<b>Properties with unrestricted cash flow for FY21 operating budget</b>					
Alexander House Dev Corp .....	(\$135,110)	(\$14,404)	(\$351,699)	(\$501,213)	(\$366,103)
The Barclay Dev Corp .....	(\$80,939)	\$28,888	(\$100,498)	(\$152,548)	(\$71,609)
Glenmont Crossing Dev Corp .....	\$181,618	(\$19,776)	(\$18,508)	\$143,334	(\$38,284)
Glenmont Westerly Dev Corp .....	\$77,218	\$1,690	(\$1,061)	\$77,847	\$629
Magruder's Discovery Dev Corp .....	\$405,320	(\$49,180)	(\$47,506)	\$308,634	(\$96,686)
The Metropolitan Dev Corp .....	\$858,961	\$112,489	(\$8,042)	\$963,409	\$104,448
Metropolitan Affordable .....	(\$202,563)	\$12,234	(\$1,787)	(\$192,116)	\$10,447
Montgomery Arms Dev Corp .....	\$164,843	(\$16,897)	(\$23,857)	\$124,088	(\$40,755)
MPDU II (59) Dev Corp .....	\$186,271	(\$34,094)	(\$29,707)	\$122,470	(\$63,801)
Paddington Square Dev Corp .....	\$272,329	\$7,400	(\$119,922)	\$159,807	(\$112,522)
Pooks Hill High-Rise Dev Corp .....	\$222,300	\$4,886	(\$39,749)	\$187,437	(\$34,863)
Scattered Site One Dev Corp .....	\$25,556	(\$22,318)	\$6,579	\$9,817	(\$15,739)
Scattered Site Two Dev Corp .....	(\$49,142)	(\$12,349)	\$1,103	(\$60,388)	(\$11,246)
Sligo MPDU III Dev Corp .....	(\$28,761)	\$4,726	\$3,863	(\$20,173)	\$8,588
VPC One Dev Corp .....	\$791,142	\$70,312	(\$478,711)	\$382,743	(\$408,399)
VPC Two Dev Corp .....	\$487,886	\$111,231	\$79,254	\$678,371	\$190,485
<b>Subtotal</b>	<b>\$3,176,929</b>	<b>\$184,838</b>	<b>(\$1,130,248)</b>	<b>\$2,231,519</b>	<b>(\$945,410)</b>
<b>Properties with restricted cash flow (external and internal)</b>					
MetroPointe Dev Corp .....	(\$138,880)	\$74,989	(\$5,301)	(\$69,191)	\$69,689
Oaks at Four Corners Dev Corp .....	(\$11,026)	\$16,180	\$30,491	\$35,646	\$46,672
<b>RAD 6 Dev Corp Total</b> .....	<b>(\$186,964)</b>	<b>(\$150,793)</b>	<b>(\$111,076)</b>	<b>(\$448,835)</b>	<b>(\$261,871)</b>
Ken Gar Dev Corp .....	\$2,416	(\$5,120)	(\$7,110)	(\$9,814)	(\$12,230)
Parkway Woods Dev Corp .....	\$21,381	\$120	(\$10,409)	\$11,092	(\$10,289)
Sandy Spring Meadow Dev Corp .....	(\$17,061)	\$11,389	(\$22,314)	(\$27,987)	(\$10,926)
Seneca Ridge Dev Corp .....	(\$134,806)	(\$88,250)	(\$10,930)	(\$233,986)	(\$99,180)
Towne Centre Place Dev Corp .....	(\$35,131)	(\$1,845)	(\$46,607)	(\$83,583)	(\$48,452)
Washington Square Dev Corp .....	(\$23,763)	(\$67,087)	(\$13,706)	(\$104,557)	(\$80,794)
<b>Subtotal</b>	<b>(\$336,870)</b>	<b>(\$59,624)</b>	<b>(\$85,886)</b>	<b>(\$482,380)</b>	<b>(\$145,510)</b>
<b>TOTAL ALL PROPERTIES</b>	<b>\$2,840,059</b>	<b>\$125,214</b>	<b>(\$1,216,134)</b>	<b>\$1,749,139</b>	<b>(\$1,090,920)</b>

## FY 2023 Second Quarter Operating Budget to Actual Comparison

For Opportunity Housing Properties - Net Cash Flow

	(6 Months)	Variance		(6 Months)	
	Net Cash Flow Budget	Income	Expense	Net Cash Flow Actual	
<b>Properties with unrestricted cash flow for FY22 operating budget</b>					
MPDU I (64) .....	\$103,723	(\$37,903)	(\$119,028)	(\$53,208)	(\$156,931)
Avondale Apartments .....	\$98,776	(\$29,849)	(\$32,412)	\$36,516	(\$62,260)
Barclay Affordable .....	\$27,722	\$14,844	\$43,443	\$86,008	\$58,286
Bradley Crossing .....	\$735,839	(\$190,327)	(\$35,426)	\$510,086	(\$225,753)
Camp Hill Square .....	\$33,834	(\$33,288)	(\$73,160)	(\$72,614)	(\$106,448)
Chelsea Towers .....	\$18,947	(\$1,400)	(\$52,110)	(\$34,563)	(\$53,510)
Day Care at Lost Knife Road .....	(\$25,648)	\$480	(\$5,362)	(\$30,530)	(\$4,882)
Elizabeth House Interim RAD .....	\$281,689	\$146,403	(\$184,726)	\$243,366	(\$38,323)
Fairfax Court .....	\$40,389	\$1,125	(\$42,543)	(\$1,029)	(\$41,418)
Georgian Court Affordable .....	\$0	\$0	(\$7,500)	(\$7,500)	(\$7,500)
Holiday Park .....	(\$55,340)	(\$12,925)	\$814	(\$67,451)	(\$12,111)
Jubilee Falling Creek .....	(\$2,192)	(\$3,147)	\$2,971	(\$2,368)	(\$176)
Jubilee Hermitage .....	(\$8,837)	(\$3,109)	(\$3,016)	(\$14,962)	(\$6,125)
Jubilee Horizon Court .....	(\$692)	(\$234)	\$2,467	\$1,541	\$2,233
Jubilee Woodedge .....	(\$8,122)	(\$1,427)	\$3,375	(\$6,174)	\$1,948
Manchester Manor .....	(\$22,663)	(\$11,858)	(\$45,002)	(\$79,523)	(\$56,860)
McHome .....	\$29,458	(\$20,911)	\$1,497	\$10,044	(\$19,414)
McKendree .....	\$22,640	(\$1,004)	(\$24,514)	(\$2,878)	(\$25,518)
MHLP VII .....	(\$9,286)	(\$25,194)	(\$35,206)	(\$69,686)	(\$60,400)
MHLP VIII .....	(\$9,335)	\$31,368	(\$13,751)	\$8,282	\$17,617
MHLP IX Pond Ridge .....	(\$89,758)	\$25,618	(\$14,873)	(\$79,013)	\$10,745
MHLP IX Scattered Sites .....	(\$93,991)	(\$4,946)	(\$96,775)	(\$195,712)	(\$101,721)
MHLP X .....	(\$41,813)	(\$10,527)	(\$23,872)	(\$76,212)	(\$34,399)
MPDU 2007 Phase II .....	\$8,405	(\$1,849)	\$4,298	\$10,854	\$2,449
Olney Sandy Spring Road .....	(\$3,809)	\$0	(\$295)	(\$4,104)	(\$295)
Pooks Hill Mid-Rise .....	\$84,585	\$15,937	(\$56,620)	\$43,902	(\$40,683)
Shady Grove Apts .....	\$0	\$0	(\$8,190)	(\$8,190)	(\$8,190)
Strathmore Court .....	(\$5,193)	\$48,535	(\$52,753)	(\$9,411)	(\$4,218)
TPP LLC Pomander Court .....	(\$10,424)	(\$1,533)	\$3,362	(\$8,595)	\$1,829
TPP LLC Timberlawn .....	\$231,239	\$10,274	\$58,547	\$300,060	\$68,821
Westwood Tower .....	\$233,766	\$4,052	(\$42,955)	\$194,863	(\$38,903)
The Willows .....	\$89,129	\$28,069	(\$74,284)	\$42,913	(\$46,216)
<b>Subtotal</b>	<b>\$1,653,038</b>	<b>(\$64,726)</b>	<b>(\$923,599)</b>	<b>\$664,712</b>	<b>(\$988,326)</b>
<b>Properties with restricted cash flow (external and internal)</b>					
The Ambassador .....	\$0	\$0	(\$24,364)	(\$24,364)	(\$24,364)
Battery Lane .....	\$292,344	(\$129,812)	\$74,590	\$237,122	(\$55,222)
Brooke Park .....	\$74,131	(\$68,318)	(\$7,925)	(\$2,112)	(\$76,243)
Brookside Glen (The Glen) .....	\$24,016	(\$4,830)	(\$14,232)	\$4,953	(\$19,063)
CDBG Units .....	\$1,182	(\$504)	\$2,409	\$3,087	\$1,905
Cider Mill Apartments .....	\$144,552	(\$120,171)	\$108,293	\$132,675	(\$11,877)
Dale Drive .....	(\$5,187)	\$60	\$4,260	(\$867)	\$4,320
Diamond Square .....	\$177,934	(\$29,115)	(\$53,207)	\$95,612	(\$82,322)
NCI Units .....	\$16,555	(\$15,146)	(\$46,132)	(\$44,723)	(\$61,278)
NSP Units .....	\$6,355	(\$2,172)	\$8,858	\$13,041	\$6,686
King Farm Village .....	\$1,522	\$0	\$769	\$2,291	\$769
Paint Branch .....	\$23,995	(\$17,844)	\$125	\$6,276	(\$17,719)
Southbridge .....	\$4,700	\$5,601	\$26,359	\$36,659	\$31,959
State Rental Combined .....	(\$155,089)	(\$71,383)	(\$35,019)	(\$261,491)	(\$106,402)
<b>Subtotal</b>	<b>\$607,010</b>	<b>(\$453,634)</b>	<b>\$44,784</b>	<b>\$198,159</b>	<b>(\$408,851)</b>
<b>TOTAL ALL PROPERTIES</b>	<b>\$2,260,048</b>	<b>(\$518,360)</b>	<b>(\$878,815)</b>	<b>\$862,871</b>	<b>(\$1,397,177)</b>



# FY 2023 Second Quarter Operating Budget to Actual Comparison

For HUD Funded Programs

	(6 Months) Budget	(6 Months) Actual	Variance
<b>Housing Choice Voucher Program</b>			
HAP revenue	\$55,002,408	\$57,563,868	\$2,561,460
HAP payments	\$58,177,356	\$57,499,377	(\$677,979)
<b>Net HAP</b>	<b>(\$3,174,948)</b>	<b>\$64,491</b>	<b>\$3,239,439</b>
Admin.fees & other inc.	\$4,821,323	\$5,608,669	\$787,346
Admin. Expense	\$5,031,536	\$4,724,765	\$306,771
<b>Net Administrative</b>	<b>(\$210,213)</b>	<b>\$883,904</b>	<b>\$1,094,117</b>
<b>Net Income</b>	<b>(\$3,385,161)</b>	<b>\$948,395</b>	<b>\$4,333,556</b>

**FY 2023 Second Quarter Operating Budget to Actual Comparison**  
**For Capital Improvements**

	(12 Months) Budget	(6 Months) Actual	Variance
<b>General Fund</b>			
880 Bonifant .....	\$50,000	\$4,483	\$45,517
East Deer Park .....	\$207,000	\$0	\$207,000
Kensington Office .....	\$100,000	\$25,523	\$74,477
Information Technology .....	\$915,000	\$145,422	\$769,578
<b>Subtotal</b>	<b>\$1,272,000</b>	<b>\$175,428</b>	<b>\$1,096,572</b>
<b>Opportunity Housing</b>			
Alexander House Dev Corp .....	\$42,170	\$32,334	\$9,836
Avondale Apartments .....	\$35,266	\$28,464	\$6,802
The Barclay Dev Corp .....	\$128,184	\$87,314	\$40,870
Barclay Affordable .....	\$89,368	\$70,033	\$19,335
Battery Lane .....	\$56,000	\$31,996	\$24,004
Bradley Crossing .....	\$72,240	\$40,607	\$31,633
Brooke Park .....	\$0	\$478	(\$478)
Brookside Glen (The Glen) .....	\$81,600	\$28,774	\$52,826
Camp Hill Square .....	\$10,097	\$10,841	(\$744)
CDBG Units .....	\$5,180	\$217	\$4,963
Chelsea Towers .....	\$14,800	\$2,161	\$12,639
Chevy Chase Lake .....	\$0	\$0	\$0
Cider Mill Apartments .....	\$1,312,992	\$1,050,997	\$261,995
Dale Drive .....	\$8,700	\$175	\$8,525
Diamond Square .....	\$107,530	\$79,632	\$27,898
Elizabeth House Interim RAD .....	\$0	\$620	(\$620)
Fairfax Court .....	\$40,196	\$19,564	\$20,632
Glenmont Crossing Dev Corp .....	\$88,800	\$42,281	\$46,519
Glenmont Westerly Dev Corp .....	\$134,040	\$32,012	\$102,028
Holiday Park .....	\$22,140	\$15,889	\$6,251
Jubilee Falling Creek .....	\$7,800	\$72	\$7,728
Jubilee Hermitage .....	\$12,500	\$1,121	\$11,379
Jubilee Horizon Court .....	\$10,080	\$72	\$10,008
Jubilee Woodedge .....	\$6,480	\$72	\$6,408
Ken Gar Dev Corp .....	\$20,770	\$8,531	\$12,239
King Farm Village .....	\$240	\$0	\$240
Magruder's Discovery Dev Corp .....	\$102,108	\$32,381	\$69,727
Manchester Manor .....	\$40,368	\$87,317	(\$46,949)
McHome .....	\$44,640	\$8,489	\$36,151
McKendree .....	\$25,584	\$12,187	\$13,397
MetroPointe Dev Corp .....	\$99,913	\$34,928	\$64,985
The Metropolitan Dev Corp .....	\$89,742	\$74,942	\$14,800
Metropolitan Affordable .....	\$6,689	\$28,717	(\$22,028)
Montgomery Arms Dev Corp .....	\$82,832	\$30,530	\$52,302
MHLP VII .....	\$47,730	\$9,235	\$38,495
MHLP VIII .....	\$48,840	\$35,364	\$13,476
MHLP IX - Pond Ridge .....	\$63,900	\$53,731	\$10,169
MHLP IX - Scattered Sites .....	\$90,192	\$49,145	\$41,047
MHLP X .....	\$98,160	\$87,660	\$10,500
MPDU 2007 Phase II .....	\$7,155	\$0	\$7,155
617 Olney Sandy Spring Road .....	\$0	\$72	(\$72)
MPDU I (64) .....	\$59,760	\$30,913	\$28,847
MPDU II (59) Dev Corp .....	\$77,400	\$31,052	\$46,348
Oaks at Four Corners Dev Corp .....	\$169,737	\$58,605	\$111,132
NCI Units .....	\$600	\$5,232	(\$4,632)
NSP Units .....	\$15,388	\$5,037	\$10,351
Paddington Square Dev Corp .....	\$115,500	\$145,244	(\$29,744)
Paint Branch .....	\$16,396	\$6,223	\$10,173
Parkway Woods Dev Corp .....	\$4,000	\$4,668	(\$668)
Pooks Hill High-Rise Dev Corp .....	\$363,436	\$137,422	\$226,014
Pooks Hill Mid-Rise .....	\$47,020	\$41,344	\$5,676
Sandy Spring Meadow Dev Corp .....	\$14,201	\$16,209	(\$2,008)
Scattered Site One Dev Corp .....	\$180,240	\$161,644	\$18,596
Scattered Site Two Dev Corp .....	\$45,000	\$17,651	\$27,349
Seneca Ridge Dev Corp .....	\$38,800	\$17,069	\$21,731
Sligo MPDU III Dev Corp .....	\$28,176	\$13,699	\$14,477
Southbridge .....	\$22,896	\$0	\$22,896
State Rental Combined .....	\$236,640	\$101,602	\$135,038
Strathmore Court .....	\$508,303	\$168,352	\$339,951
Towne Centre Place Dev Corp .....	\$30,563	\$4,580	\$25,983
TPP LLC Pomander Court .....	\$21,948	\$3,829	\$18,119
TPP LLC Timberlawn .....	\$172,250	\$31,632	\$140,618
VPC One Dev Corp .....	\$222,100	\$80,489	\$141,611
VPC Two Dev Corp .....	\$184,152	\$62,513	\$121,639
Washington Square Dev Corp .....	\$55,300	\$8,989	\$46,311
Westwood Tower .....	\$296,000	\$229,141	\$66,859
The Willows .....	\$240,896	\$25,399	\$215,497
<b>Subtotal</b>	<b>\$6,321,728</b>	<b>\$3,537,493</b>	<b>\$2,784,235</b>
<b>TOTAL</b>	<b>\$7,593,728</b>	<b>\$3,712,921</b>	<b>\$3,880,807</b>

## 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  
Eugenia Pascual, Controller  
Francisco Vega, Assistant Controller  
Claudia Wilson, Accounting Manager  
Niketa Patel, Accounting Manager  
Nilou Razeghi, Accounting Manager

**RE** **Fiscal Year 2023 (FY'23) Second Quarter Un-Audited Financial Statements:**  
Presentation of the Un-Audited Financial Statements for the Second Quarter  
Ended December 31, 2022

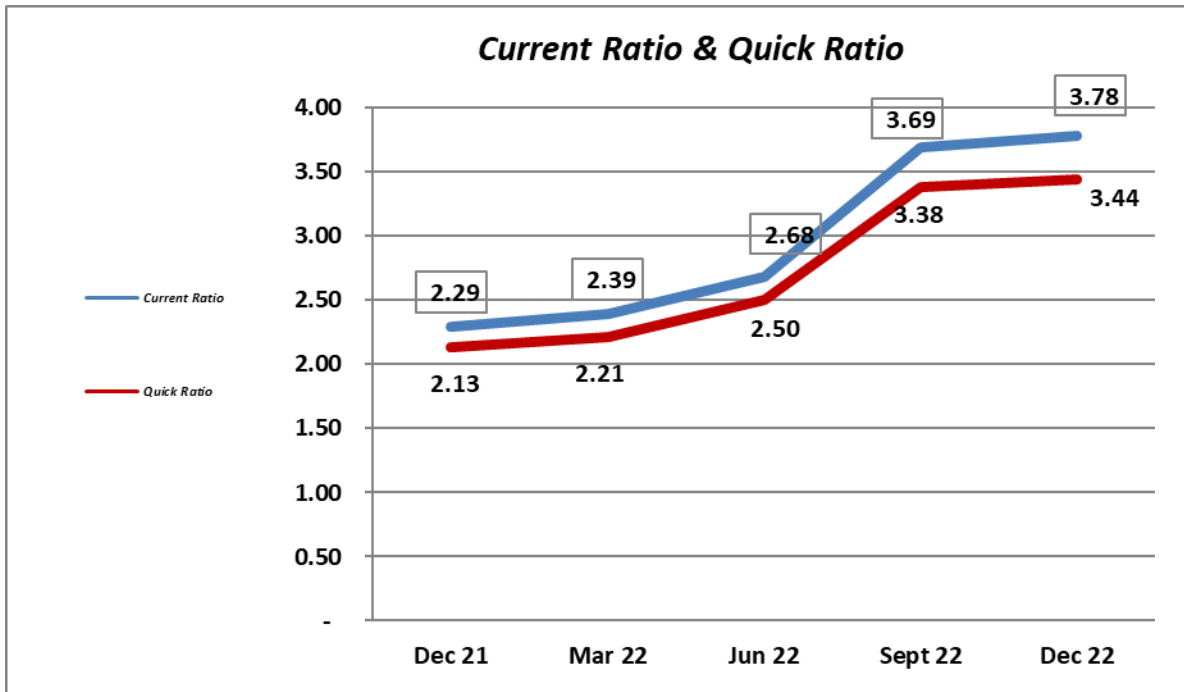
**DATE:** February 17, 2023

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Attached please find the un-audited consolidated financial statements for the Housing Opportunities Commission of Montgomery County (“HOC” or “Commission”) for the second quarter ended December 31, 2022.

### **Financial Highlights:**

- The Commission’s net position decreased \$8.5 million or 2.9%, attributed to the net operating loss during the first six months of FY’23. This is an improvement of \$4.4 million quarter over quarter. After adjusting the net income for the recording of capital contributions, depreciation, unrealized loss on investments and gain on sale of assets, HOC ended the fiscal period with a net loss of \$1.6 million as compared to a net income of \$3.4 million for the same period last fiscal year.
- The Commission’s current ratio (ratio of current assets to current liabilities) increased from 2.68 in June 2022 to 3.78 in December 2022. The quick ratio (the ratio is an indicator of liquidity, reflecting current assets that can be converted to cash within 90 days) also increased from 2.50 in June 2022 to 3.44 in December 2022. The increase is primarily driven by a decrease in the Multifamily Bond Fund undrawn proceeds payable due to additional bond draws for HOC at Westside Shady Grove LLC, HOC at Stewarttown LLC, Bauer Park Apartments LP, HOC at Georgian Court LLC, HOC at Shady Grove LLC and HOC at Willow Manor LLC. Likewise, the Opportunity Housing Fund current liabilities decreased largely due to refinancing of Westwood Towers’ short-term debt and the Single Family Bond Fund current maturing bonds payable decreased as well.



- The Commission’s total assets excluding the deferred outflow of resources decreased by \$42 million or 2.1% since June 30, 2022. This is largely due to a decrease in restricted cash and cash equivalents, unrestricted cash and cash equivalents and net capital assets, partially offset by an increase in mortgage and construction loans receivable.
- The decrease in restricted cash and cash equivalents is mainly due to additional draws from the undrawn bond proceeds within the Multifamily Bond Fund for several real estate developments under construction as mentioned above, as well as a decrease in the Single Family Bond Fund short-term debt service.
- The decrease in unrestricted cash and cash equivalents is mainly attributed to the General Fund annual disbursements for commercial liability insurance, property taxes and Yardi annual license and maintenance as well as an increase in advances to several component units, due to the timing of payment and reimbursement of expenses through the Central Disbursement System. Furthermore, the OHRF decreased largely due to bridge financing of HOC at Shady Grove LLC (“Shady Grove”), Hillandale Gateway LLC (“Hillandale”) predevelopment expenses, and funding of HOC at CCL Multifamily-Member equity contribution. The decrease is partly reduced by an increase in unrestricted cash at the property level, primarily The Metropolitan, HOC at Battery Lane LLC (“Battery Lane”), Pooks Hill Dev. Corp. (“Pooks Hill”), Paddington Square Dev. Corp. (“Paddington”) and Bradley Crossing LLC (“Bradley Crossing”).

- The decrease in net capital assets of \$8 million is primarily attributed to the normal depreciation of fixed assets.
- The overall net increase of \$17.7 million in total mortgage and construction loans receivable is due to additional PNC Real Estate Line of Credit (“RELOC”) draws for Elizabeth House III LP (“The Leggett”), HOC at Upton II (“Residences on the Lane”) and the Wheaton Gateway development.
- The Multifamily Bond Fund redeemed and retired bonds for \$4.5 million under the Multifamily Housing Development Bonds (1996 Indenture) and \$0.6 million under the Stand Alone 1998 Issue. Bond defeasance related to 1994 Strathmore Issue for (\$0.5) million was retired as well.
- The Single Family Bond Fund redeemed and retired bonds for \$10.7 million under the 1979 Indenture, \$3.5 million under the 2019 Indenture and 2.1 million under the 2009 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 5.4% from \$61.1 million in FY’22 to \$64.4 million in FY’23.

**Overall Agency Net Income (Loss)**

The Commission has a net loss of \$8.5 million as of the second quarter ending December 31, 2022, compared to a net income of \$70.6 million for the same period last year. However, after adjusting the net income for the recording of capital contributions, unrealized loss on investments and gain on sale of assets, HOC ended the fiscal period with a net loss of \$1.6 million as compared to a net income of \$3.4 million for the same period last fiscal year.

	<u>FY 2023</u>	<u>FY 2022</u>
Net Income (Loss)	\$ (8,493,795)	\$ 70,551,924
Less:		
Capital Contributions	-	62,793
Unrealized Loss on Investments	6,862,812	1,708,840
Gain on sale of assets-Non-operating	-	(68,911,989)
Adjusted Net Income (Loss)	<u>\$ (1,630,983)</u>	<u>\$ 3,411,568</u>
Amount of (Decrease)	\$ (5,042,551)	

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.

The \$69 million gain on sale of assets in FY'22 resulted from the three Manors, Shady Grove and Georgian Court real estate transactions.

Major contributors to HOC's adjusted net loss of \$1.6 million as of the second quarter ending December 31, 2022 are as follows:

	<b>FY 2023</b>	<b>FY 2022</b>	<b>Variance</b>
	<b>(in millions)</b>	<b>(in millions)</b>	<b>(in millions)</b>
Housing Assistance Payments (HAP) Income	\$ 64.4	\$ 61.1	\$ 3.3
Other Federal/State & County Grants	8.4	9.8	(1.4)
Investment Income	6.3	4.3	2.0
Interest on Mortgage and Construction			
Loans Receivable Income	4.0	3.0	1.0
Dwelling Rental Income	50.3	52.7	(2.4)
HAP Expense	(65.5)	(61.5)	(4.0)
Administration Expense	(23.1)	(22.7)	(0.4)
Maintenance Expense	(14.3)	(14.8)	0.5
Utilities Expense	(3.4)	(3.9)	0.5
Fringe Benefits	(6.2)	(6.2)	-
Interest Expense	(20.6)	(16.0)	(4.6)
Depreciation and amortization	(10.3)	(10.9)	0.6
Other Income Net of Other Expenses	8.4	8.5	(0.1)
<b>Adjusted Net Income (Loss)</b>	<b>\$ (1.6)</b>	<b>\$ 3.4</b>	<b>\$ (5.0)</b>

Housing Assistance Payments (HAP) – revenue increased under the HCV Main Program, Emergency Housing Vouchers, Mainstream Program, Incremental Housing Choice Vouchers and HCV Incoming Portables, partly offset by a decrease in earned HAP revenue under the COVID-19 HCV Main Program and HCV Elizabeth House III. The increase in HAP expense is mainly due to increased leasing and leasing costs within the HCV Main Program, Emergency Housing Vouchers, HCV Incoming & Outgoing Portables and Non-Elderly Persons with disabilities partly offset by a decrease in HCV VPC One Dev. Corp., HCV Project Based Vouchers and COVID-19 HCV Main Program.

The decrease in state and county grants is mainly due to a decrease in the Capital Improvement Program (“CIP”) and County Main-Public Housing Program, partially offset by an increase in the County Main Programs.

The increase in investment income is largely due to investment of the remaining bond proceeds under the Housing Production Fund (“HPF”) Limited Obligation Bonds Series 2021, Multifamily Housing Development Bonds (“MHDB”) 2021 Series ABCD bonds, and Single Family Mortgage Revenue Bond (“MRB”) 2021 and 2022 Series ABCD, as well as the higher interest rate compared to the previous year.

The increase in interest on mortgage and construction loans receivable is mainly due to an increase in the MHDB 2021 Series CD mortgage loan receivable balance from HOC at Willow Manor LLC, HOC at Shady Grove LLC and HOC at Georgian Court LLC.

The decrease in dwelling rental income is primarily driven by the three Manor properties (The Manor at Fair Hill Farms LLC, The Manor at Clopper's Mill LLC & The Manor at Colesville LLC), Shady Grove Apartments LP ("Shady Grove") and Georgian Court Silver Spring LP ("Georgian Ct"), which were sold to special owner entities in December 2021. The decrease in FY'23 rental income is partially offset by additional rent from Battery Lane and Avondale properties, which were acquired in June 2022 and March 2022, respectively. The rent revenue at Bradley Crossing, Alexander House, Westwood Towers, VPC Two, Strathmore Court and several other Opportunity Housing properties increased as well. Bad debt expense for the six-month period July 2022 to December 2022 amounts to about \$2.8 million. As of December 31, 2022, the tenant receivable balance has increased by \$3,569,336 from June 30, 2022, totaling \$11,366,306. 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 continued impact of the COVID-19 pandemic on the payment of rent.

The increase in administrative expense is mainly attributed to General Fund expenditures on online information services, computer software, temporary agency services and division awards, partially offset by a decrease in administrative salaries. The Public Fund expenses also increased mainly due to on-line information services and administrative salaries, partly offset by a decrease in the COVID 19 Main Program (HAP and Admin). The Opportunity Housing Fund administrative expenses did not change materially. The increase in expenses at Battery Lane, VPC One, Paddington Square, Metropolitan and other properties was offset by the sale of the three Manor properties, Georgian Court and Shady Grove and a decrease in Westwood Towers.

The decrease in maintenance expense is largely due to General Fund and Public Fund's computer equipment and computer software expenses related to application development and technical services, partly offset by a decrease in the OH Fund. The increase in maintenance expenses at Battery Lane, Alexander House, RAD 6, VPC One, Paddington Square, and Magruder's, partially offset by the sale of the three Manors, Georgian Court and Shady Grove mainly accounted for the increase in OH Fund.

The decrease in utilities is mainly due to a decrease in Paddington Square, Barclay, Glenmont Crossing, Cider Mill Apartments and the sale of three Manor properties, Shady Grove and Georgian Court, partly offset by an increase at Battery Lane.

The increase in total interest expense is attributed primarily to the interest on the Battery Lane acquisition loan with Eagle Bank, accrued interest on MV Gateway II LLC mezzanine loan and Bradley Crossing's Eagle Bank loan, partly reduced by the sale of the three Manor properties, Georgian Court and Shady Grove. The Multifamily Bond Fund also contributed to the increase mainly due to new bonds issued for Willow Manor, HOC at Georgian Court LLC and HOC at Shady Grove LLC, and Housing Production Fund in December 2021 and August 2021, respectively. Lastly,

the Single Family Bond Fund increased as well, attributed primarily to the new SF MRB 2022 Series ABCD bond issue.

The decrease in other income is primarily due to a decrease in development fee income, which is partly offset by an increase in non-operating revenue.

### **Adjusted Operating Revenue**

The revenues from operations, when adjusted for HAP income and unrealized loss on investments, decreased by \$3.1 million for the six-month period ending December 31, 2022, when compared to the same period last year.

	<b><u>FY 2023</u></b>	<b><u>FY 2022</u></b>
Total Operating Revenue	\$ 136,212,320	\$ 141,161,386
Less:		
Housing Assistance Revenue	(64,418,824)	(61,094,186)
Unrealized Loss on Investments	6,862,812	1,708,840
Adjusted Total Operating Revenue	<u>\$ 78,656,308</u>	<u>\$ 81,776,040</u>
Amount of Increase (Decrease)	\$ (3,119,732)	

The decrease in the adjusted operating revenue is attributable to management fee income, dwelling rent, and County grants, partially offset by an increase in investment income, interest on mortgage and construction loan receivable, and HAP administrative fee income.

### **Adjusted Operating Expenses**

The operating expenses, when adjusted for HAP expense, increased by \$2.6 million for the six-month period ending December 31, 2022, when compared to the same period last fiscal year.

	<b><u>FY 2023</u></b>	<b><u>FY 2022</u></b>
Total Operating Expenses	\$ 146,838,439	\$ 140,187,868
Less:		
Housing Assistance Payments (HAP)	(65,545,721)	(61,480,364)
Adjusted Total Operating Expenses	<u>\$ 81,292,718</u>	<u>\$ 78,707,504</u>
Amount of Increase (Decrease)	\$ 2,585,214	

The increase in interest and administrative expense is partly reduced by lower depreciation, maintenance, utilities and other expenses accounted for the increase in the adjusted operating expenses.



**Non-operating Revenues (Expenses)**

The non-operating net revenues amount to \$2.1 million for the six-month period ending December 31, 2022, as compared to a net revenue of \$729,209 for the same period last year, after adjusting for the gain on sale of assets from Shady Grove, Georgian Court and the three Manor properties. The increase in non-operating revenues is attributed to an increase in non-operating investment income, interest on mortgage and construction loans receivable and other grants partially offset by a decrease in non-operating interest expense.

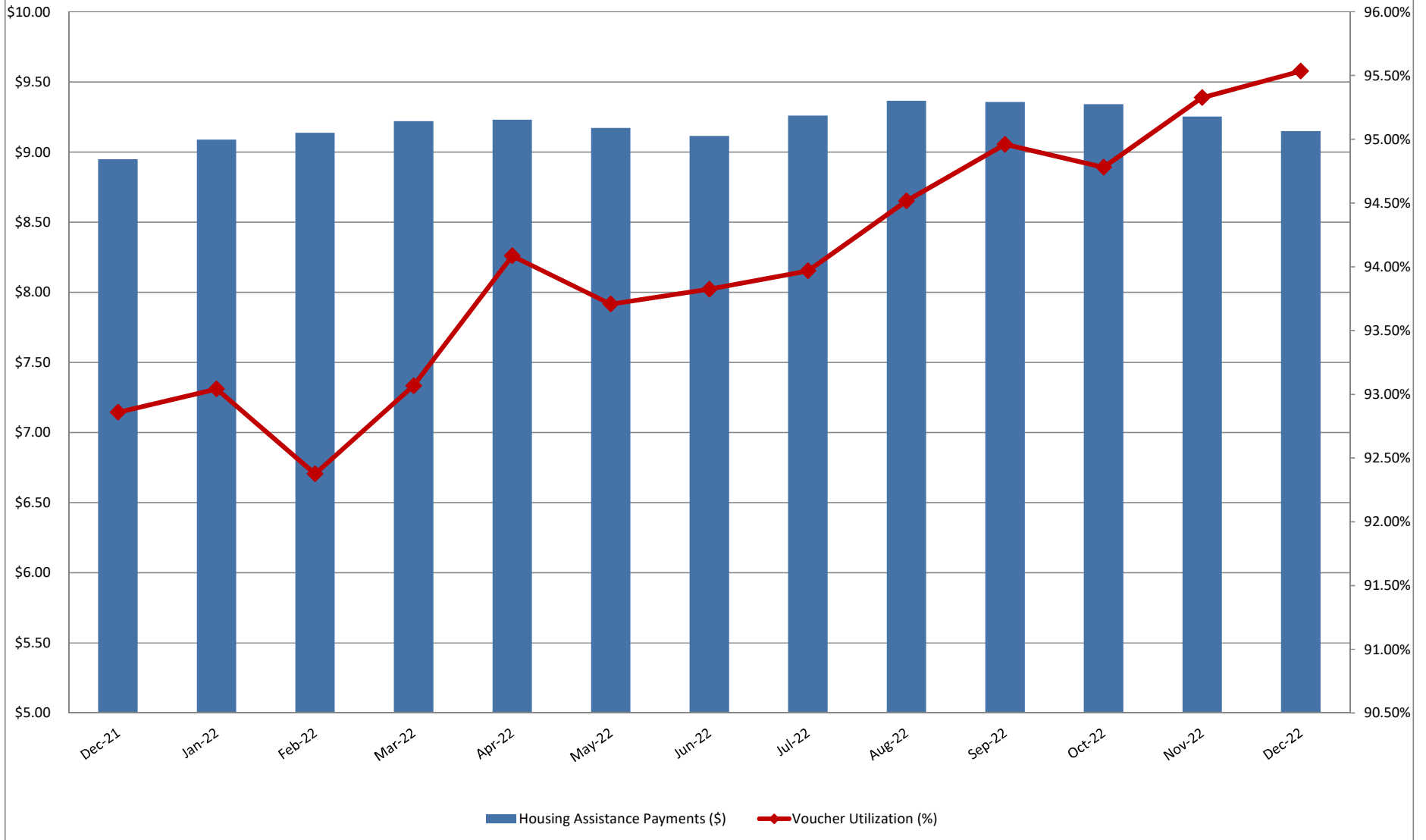
	<u>FY 2023</u>	<u>FY 2022</u>
Total Non-Operating Revenues (Expenses)	\$ 2,132,324	\$ 69,641,198
Less:		
Gain/(Loss) on sale of assets-Non-operating	-	(68,911,989)
Adjusted Total Non-Operating Revenues (Expenses)	<u>\$ 2,132,324</u>	<u>\$ 729,209</u>
Amount of Increase (Decrease)	\$ 1,403,115	

Dec-21    Jan-22    Feb-22    Mar-22    Apr-22    May-22    Jun-22    Jul-22    Aug-22    Sep-22    Oct-22    Nov-22    Dec-22

Housing Assistance Payments (\$)  
 Voucher Utilization (%)  
 UNITS under LEASE  
 HUD Authorized BASE LINE

\$8,948,332	\$9,088,312	\$9,136,820	\$9,218,962	\$9,230,182	\$9,171,244	\$9,113,356	\$9,258,785	\$9,364,085	\$9,355,907	\$9,341,203	\$9,252,794	\$9,147,758
92.86%	93.04%	92.37%	93.07%	94.09%	93.71%	93.82%	93.97%	94.52%	94.96%	94.78%	95.33%	95.53%
7,112	7,126	7,075	7,128	7,206	7,177	7,186	7,197	7,239	7,273	7,300	7,342	7,358
7,659	7,659	7,659	7,659	7,659	7,659	7,659	7,659	7,659	7,659	7,702	7,702	7,702

### HAP Utilization



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

	Note Num.	12/31/2022	6/30/2022	Dollar Variance	Percentage Variance
<b>Assets and Deferred Outflows</b>					
<b>Current Assets</b>					
<b>Unrestricted:</b>					
Cash and cash equivalents	-1.a.-	\$ 132,411,957	\$ 141,338,502	\$ (8,926,545)	(6.32%)
Advances to component units	-1.b.-	6,232,969	4,066,220	2,166,749	53.29%
Accounts receivable and other assets	-1.c.-	31,136,270	27,678,413	3,457,857	12.49%
Accrued interest receivable	-1.d.-	15,809,462	14,093,802	1,715,660	12.17%
Lease Receivable Current		1,305,017	1,305,017	-	0.00%
Mortgage and construction loans receivable - curre	-1.e.-	11,489,436	13,157,945	(1,668,510)	(12.68%)
<b>Total unrestricted current assets</b>		<b>198,385,111</b>	<b>201,639,899</b>	<b>(3,254,788)</b>	<b>(1.61%)</b>
<b>Restricted cash and cash equivalents and investments:</b>					
Restricted cash and cash equivalents	-1.f.-	184,185,325	225,725,994	(41,540,669)	(18.40%)
Restricted short-term investments	-1.g.-	2,277,123	3,596,993	(1,319,870)	(36.69%)
Cash for current bonds payable	-1.h.-	30,567,664	40,703,219	(10,135,555)	(24.90%)
Customer deposits		5,986,106	5,608,621	377,485	6.73%
<b>Total restricted cash and cash equivalents and investments</b>		<b>223,016,218</b>	<b>275,634,827</b>	<b>(52,618,609)</b>	<b>(19.09%)</b>
<b>Total current assets</b>		<b>421,401,329</b>	<b>477,274,726</b>	<b>(55,873,397)</b>	<b>(11.71%)</b>
<b>Noncurrent Assets</b>					
Restricted long-term investments	-1.i.-	168,251,516	169,381,806	(1,130,290)	(0.67%)
Lease Receivable, Net of Current		8,296,033	8,296,033	0	0.00%
Mortgage and construction loans receivable	-1.e.-	670,856,288	651,531,537	19,324,751	2.97%
Capital assets, Being Depreciated, Net	-1.j.-	515,380,308	525,490,625	(10,110,317)	(1.92%)
Capital assets, Not Being Depreciated, Net		157,612,299	155,654,459	1,957,840	1.26%
Right-to-Use Asset		536,556	536,556	(0)	(0.00%)
Derivative Asset		5,138,381	2,193,576	2,944,805	134.25%
Investment in Component Units	-1.k.-	36,692,565	35,860,438	832,127	2.32%
<b>Total noncurrent assets</b>		<b>1,562,763,947</b>	<b>1,548,945,030</b>	<b>13,818,917</b>	<b>0.89%</b>
<b>Total Assets</b>		<b>1,984,165,276</b>	<b>2,026,219,756</b>	<b>(42,054,480)</b>	<b>(2.08%)</b>
<b>Deferred Outflows of Resources</b>					
Derivative Instrument	-1.l.-	20,637,912	21,270,199	(632,287)	(2.97%)
Fair value of hedging derivatives	-1.l.-	-	1,727,682	(1,727,682)	(100.00%)
Employer -Related Pension Activities	-1.l.-	30,990,438	30,990,437	1	0.00%
Employer -Related OPEB Activities	-1.l.-	6,401,277	6,401,277	(0)	(0.00%)
		<b>58,029,627</b>	<b>60,389,595</b>	<b>(2,359,968)</b>	<b>(3.91%)</b>
<b>Total Assets and Deferred Outflows</b>		<b>\$ 2,042,194,903</b>	<b>\$ 2,086,609,351</b>	<b>\$ (44,414,448)</b>	<b>(2.13%)</b>
<b>Liabilities and Net Position</b>					
<b>Current Liabilities</b>					
Accounts payable and accrued liabilities	-1.m.-	\$ 25,323,349	\$ 28,684,325	\$ (3,360,976)	(11.72%)
Undrawn Mortgage Proceeds Payable	-1.n.-	29,331,183	68,050,006	(38,718,823)	(56.90%)
Accrued interest payable		9,536,150	9,389,990	146,160	1.56%
Loans payable to Montgomery County - current	-1.o.-	199,261	241,243	(41,982)	(17.40%)
Lease Payable Current		318,242	318,242	0	0.00%
Mortgage notes and loans payable - current	-1.p.-	11,140,427	26,091,520	(14,951,093)	(57.30%)
<b>Total current unrestricted liabilities</b>		<b>75,848,613</b>	<b>132,775,326</b>	<b>(56,926,713)</b>	<b>(42.87%)</b>
<b>Current Liabilities payable from restricted assets:</b>					
Customer deposit payable		5,048,926	4,575,032	473,894	10.36%
Accrued interest payable	-1.q.-	9,255,957	8,595,765	660,192	7.68%
Bonds payable - current	-1.r.-	21,254,165	31,988,733	(10,734,569)	(33.56%)
<b>Total current liabilities payable from restricted assets</b>		<b>35,559,047</b>	<b>45,159,530</b>	<b>(9,600,483)</b>	<b>(21.26%)</b>
<b>Total current liabilities</b>		<b>111,407,660</b>	<b>177,934,856</b>	<b>(66,527,196)</b>	<b>(37.39%)</b>
<b>Noncurrent Liabilities</b>					
Bonds payable	-1.r.-	731,335,987	741,557,113	(10,221,126)	(1.38%)
Mortgage notes and loans payable	-1.p.-	657,225,786	626,827,946	30,397,840	4.85%
Loans payable to Montgomery County	-1.o.-	92,449,780	87,549,922	4,899,858	5.60%
Lease Payable Net of Current		221,748	221,748	(0)	(0.00%)
Unearned Revenue	-1.s.-	38,161,842	34,702,518	3,459,324	9.97%
Escrow and other deposits		19,960,245	19,106,708	853,537	4.47%
Net Pension liability		32,216,643	32,216,643	0	0.00%
Net OPEB liability		16,573,820	16,573,819	1	0.00%
Derivative investment - hedging		-	1,727,682	(1,727,682)	(100.00%)
<b>Total noncurrent liabilities</b>		<b>1,588,145,851</b>	<b>1,560,484,099</b>	<b>27,661,752</b>	<b>1.77%</b>
<b>Total Liabilities</b>		<b>1,699,553,512</b>	<b>1,738,418,955</b>	<b>(38,865,443)</b>	<b>(2.24%)</b>
<b>Deferred Inflows of Resources</b>					
Derivative Instrument	-1.l.-	5,138,381	2,193,576	2,944,805	134.25%
Unamortized Lease Receivable	-1.l.-	9,582,722	9,582,722	(0)	(0.00%)
Unamortized Pension Net Difference	-1.l.-	23,992,290	23,992,290	0	0.00%
Unamortized OPEB Net Difference	-1.l.-	15,320,514	15,320,515	(1)	(0.00%)
<b>Total Deferred Inflows of Resources</b>		<b>54,033,908</b>	<b>51,089,103</b>	<b>2,944,805</b>	<b>5.76%</b>
<b>Net Position</b>					
Net investment in capital assets		(137,177,792)	(135,707,939)	(1,469,853)	1.08%
Restricted		101,282,609	107,507,873	(6,225,264)	(5.79%)
Unrestricted		324,502,666	325,301,359	(798,693)	(0.25%)
<b>Total Net Position</b>		<b>288,607,483</b>	<b>297,101,293</b>	<b>(8,493,810)</b>	<b>(2.86%)</b>
<b>Total Liabilities and Net Position</b>		<b>\$ 2,042,194,903</b>	<b>\$ 2,086,609,351</b>	<b>\$ (44,414,448)</b>	<b>(2.13%)</b>

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

	Note Num.	2nd Qtr FY2023 12/31/2022	2nd Qtr FY2022 12/31/2021	Dollar Variance	Percentage Variance
<b>Operating Revenues</b>					
Dwelling rental	-1.aa.-	\$ 50,331,647	\$ 52,679,822	\$ (2,348,176)	(4.46%)
Investment income	-1.bb.-	6,327,358	4,388,153	1,939,205	44.19%
Unrealized gains (losses) on investment	-1.cc.-	(6,862,812)	(1,708,840)	(5,153,973)	301.61%
Interest on mortgage and construction loans receivable	-1.dd.-	4,036,578	2,967,194	1,069,384	36.04%
Management fees and other income	-1.ee.-	4,119,261	6,605,449	(2,486,187)	(37.64%)
U.S. Department of Housing and Urban Development grants:					
Housing Assistance Payments (HAP)	-1.ff.-	64,418,824	61,094,186	3,324,638	5.44%
HAP administrative fees		5,486,664	5,368,573	118,090	2.20%
Other grants		2,663,637	2,709,708	(46,071)	(1.70%)
State and County grants	-1.gg.-	5,691,163	7,057,141	(1,365,977)	(19.36%)
<b>Total operating revenues</b>		<b>136,212,320</b>	<b>141,161,386</b>	<b>(4,949,066)</b>	<b>(3.51%)</b>
<b>Operating Expenses</b>					
Housing Assistance Payments (HAP)	-1.ff.-	65,545,721	61,480,364	(4,065,357)	(6.61%)
Administration	-1.hh.-	23,126,336	22,709,525	(416,811)	(1.84%)
Maintenance	-1.ii.-	14,286,556	14,841,844	555,288	3.74%
Depreciation and amortization		10,271,395	10,937,982	666,587	6.09%
Utilities	-1.jj.-	3,440,774	3,884,629	443,855	11.43%
Fringe benefits		6,181,713	6,173,800	(7,913)	(0.13%)
Interest expense	-1.kk.-	20,614,861	16,037,464	(4,577,396)	(28.54%)
Other expense	-1.ll.-	3,371,084	4,122,259	751,175	18.22%
<b>Total operating expenses</b>		<b>146,838,439</b>	<b>140,187,868</b>	<b>(6,650,572)</b>	<b>(4.74%)</b>
<b>Operating income (loss)</b>		<b>(10,626,119)</b>	<b>973,519</b>	<b>(11,599,638)</b>	<b>(1191.52%)</b>
<b>Nonoperating Revenues (Expenses)</b>					
Investment Income		1,939,631	794,146	1,145,485	144.24%
Interest on mortgage and construction loans receivable		1,989,780	1,556,990	432,790	27.80%
Interest expense	-1.kk.-	(2,054,642)	(1,744,636)	(310,006)	17.77%
Other grants		257,555	122,709	134,846	109.89%
Gain/(Loss) on Sale of Assets		-	68,911,989	(68,911,989)	100.00%
<b>Total nonoperating revenues (expense)</b>		<b>2,132,324</b>	<b>69,641,198</b>	<b>(67,508,874)</b>	<b>(96.94%)</b>
<b>Income (loss) before capital contributions</b>		<b>(8,493,795)</b>	<b>70,614,717</b>	<b>(79,108,512)</b>	<b>(112.03%)</b>
Income (Loss) before contributions and transfers		<b>(8,493,795)</b>	<b>70,614,717</b>	<b>(79,108,512)</b>	<b>(112.03%)</b>
Transfer from Discrete Component Units		-	-	-	
Capital contributions		-	(62,793)	62,793	(100.00%)
<b>Net income (loss)</b>		<b>(8,493,795)</b>	<b>70,551,924</b>	<b>(79,045,719)</b>	<b>(112.04%)</b>

# Housing Opportunities Commission of Montgomery County

Combined Statement of Net Position

As of December 31, 2022

Assets	<u>General Fund</u>	<u>Opportunity Housing Fund</u>	<u>Public Fund</u>	<u>Single Family Fund</u>	<u>Multi Family Fund</u>	<u>Elimination</u>	<u>12/31/2022 Total Funds with Elimination</u>	<u>6/30/2022 Total Funds with Elimination</u>
<b>Current Assets</b>								
Unrestricted:								
Cash and Cash Equivalents	\$ 47,748,212	\$ 74,647,227	\$ 7,384,479	\$ 522,602	\$ 2,109,438	\$ -	\$ 132,411,957	\$ 141,338,502
Interfund Receivable	-	16,696,716	4,720,980	33,951	132,535	(21,584,182)	-	-
Advances to Component Units	6,048,507	184,462	-	-	-	-	6,232,969	4,066,220
Accounts Receivable and Other Assets, Net	7,870,850	14,656,859	9,477,906	455,868	5,933	(1,331,146)	31,136,270	27,678,413
Accrued Interest Receivable	7,530,086	6,787,941	-	828,515	1,558,790	(895,870)	15,809,462	14,093,802
Lease Receivable - Current	-	1,305,017	-	-	-	-	1,305,017	1,305,017
Mortgage & Construction Loans Receivable, Current	10,444,847	1,433,970	-	6,602,850	9,832,777	(16,825,009)	11,489,436	13,157,945
Total Unrestricted Current Assets	<u>79,642,502</u>	<u>115,712,191</u>	<u>21,583,365</u>	<u>8,443,786</u>	<u>13,639,474</u>	<u>(40,636,207)</u>	<u>198,385,111</u>	<u>201,639,899</u>
Restricted Cash and Cash Equivalents and Investments:								
Restricted Cash and Cash Equivalents	7,538,416	42,941,581	875,751	48,810,859	84,018,718	-	184,185,325	225,725,994
Restricted Short-Term Investments	-	-	-	2,277,123	-	-	2,277,123	3,596,993
Restricted for Current Bonds Payable	-	-	-	11,679,397	18,888,267	-	30,567,664	40,703,219
Restricted for Customer Deposits	-	3,463,346	2,522,760	-	-	-	5,986,106	5,608,621
Total Restricted Cash and Cash Equivalents for Investments	<u>7,538,416</u>	<u>46,404,927</u>	<u>3,398,512</u>	<u>62,767,379</u>	<u>102,906,984</u>	<u>-</u>	<u>223,016,218</u>	<u>275,634,827</u>
Total Current Assets	<u>87,180,918</u>	<u>162,117,118</u>	<u>24,981,877</u>	<u>71,211,165</u>	<u>116,546,458</u>	<u>(40,636,207)</u>	<u>421,401,329</u>	<u>477,274,726</u>
<b>Noncurrent assets:</b>								
Restricted Long - Term Investments	-	-	-	102,700,257	65,551,259	-	168,251,516	169,381,806
Lease Receivable - Net of Current	-	8,296,033	-	-	-	-	8,296,033	8,296,033
Mortgage & Construction Loans Receivable, Net of Current	497,086,880	181,258,494	2,005,615	29,518,358	465,954,656	(504,967,714)	670,856,288	651,531,537
Capital Assets, Being Depreciated, Net	3,474,019	508,193,179	3,713,111	-	-	-	515,380,308	525,490,625
Capital Assets, Not Being Depreciated	8,040,256	146,967,932	2,604,110	-	-	-	157,612,299	155,654,459
Right-to-Use Asset	536,556	-	-	-	-	-	536,556	536,556
Derivative Asset	-	3,328,815	-	960,304	849,262	-	5,138,381	2,193,576
Investment in Component Units	2,073,221	34,619,345	-	-	-	-	36,692,565	35,860,438
Total Noncurrent Assets	<u>511,210,931</u>	<u>882,663,798</u>	<u>8,322,836</u>	<u>133,178,919</u>	<u>532,355,177</u>	<u>(504,967,714)</u>	<u>1,562,763,947</u>	<u>1,548,945,030</u>
<b>Deferred Outflows of Resources</b>								
Derivative Instrument	-	20,637,912	-	-	-	-	20,637,912	21,270,199
Fair Value of Hedging Derivatives	-	-	-	-	-	-	-	1,727,682
Employer -Related Pension Activities	16,928,071	3,358,708	10,703,659	-	-	-	30,990,438	30,990,437
Employer -Related OPEB Activities	4,620,667	323,673	1,456,937	-	-	-	6,401,277	6,401,277
Total Deferred Outflows of Resources	<u>21,548,737</u>	<u>24,320,293</u>	<u>12,160,596</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,029,627</u>	<u>60,389,595</u>
<b>Total Assets and Deferred Outflows</b>	<u>619,940,587</u>	<u>1,069,101,209</u>	<u>45,465,309</u>	<u>204,390,084</u>	<u>648,901,635</u>	<u>(545,603,921)</u>	<u>2,042,194,903</u>	<u>2,086,609,351</u>

# Housing Opportunities Commission of Montgomery County

Combined Statement of Net Position

As of December 31, 2022

Liabilities and Net Position	<u>General Fund</u>	<u>Opportunity Housing Fund</u>	<u>Public Fund</u>	<u>Single Family Fund</u>	<u>Multi Family Fund</u>	<u>Elimination</u>	<u>12/31/2022 Total Funds with Elimination</u>	<u>6/30/2022 Total Funds with Elimination</u>
<b>Liabilities</b>								
<b>Current Liabilities</b>								
Accounts Payable and Accrued Liabilities	9,271,338	14,595,665	2,275,556	345,028	166,907	(1,331,146)	25,323,349	28,684,325
Undrawn Mortgage Proceeds Payable	-	-	-	-	29,331,183	-	29,331,183	68,050,006
Interfund Payable	21,584,182	-	-	(0)	-	(21,584,182)	-	-
Accrued Interest Payable	-	10,432,020	-	-	-	(895,870)	9,536,150	9,389,990
Loans Payable to Montgomery County - Current	-	199,261	-	-	-	-	199,261	241,243
Lease Payable - Current	318,242	-	-	-	-	-	318,242	318,242
Mortgage Notes and Loans Payable-Current	9,246,627	13,718,809	-	-	5,000,000	(16,825,009)	11,140,427	26,091,520
Total Current Unrestricted Liabilities	<b>40,420,389</b>	<b>38,945,756</b>	<b>2,275,556</b>	<b>345,028</b>	<b>34,498,090</b>	<b>(40,636,206)</b>	<b>75,848,613</b>	<b>132,775,326</b>
Current Liabilities Payable from Restricted Assets:								
Customer Deposits Payable	-	2,902,329	2,146,597	-	-	-	5,048,926	4,575,032
Accrued Interest Payable	-	-	-	2,726,855	6,529,102	-	9,255,957	8,595,765
Bonds Payable-Current	-	-	-	8,895,000	12,359,165	-	21,254,165	31,988,733
Total Current Liabilities Payable from Restricted Assets	<b>-</b>	<b>2,902,329</b>	<b>2,146,597</b>	<b>11,621,855</b>	<b>18,888,267</b>	<b>-</b>	<b>35,559,047</b>	<b>45,159,530</b>
<b>Total Current Liabilities</b>	<b>40,420,389</b>	<b>41,848,084</b>	<b>4,422,154</b>	<b>11,966,883</b>	<b>53,386,356</b>	<b>(40,636,206)</b>	<b>111,407,660</b>	<b>177,934,856</b>
<b>Non-Current Liabilities</b>								
Bonds Payable	-	-	-	173,881,063	557,454,924	-	731,335,987	741,557,113
Mortgage Notes and Loans payable	429,315,728	732,877,773	-	-	-	(504,967,714)	657,225,786	626,827,946
Loans payable to Montgomery County	29,075,224	63,374,556	-	-	-	-	92,449,780	87,549,922
Lease Payable Net of Current	221,748	-	-	-	-	-	221,748	221,748
Unearned Revenue	20,042,275	12,202,908	5,916,659	-	-	-	38,161,842	34,702,518
Escrow and Other Deposits	17,354,989	-	-	-	2,605,257	-	19,960,245	19,106,708
Net Pension liability	19,150,477	2,885,951	10,180,215	-	-	-	32,216,643	32,216,643
Net OPEB liability	7,254,792	931,303	8,387,724	-	-	-	16,573,820	16,573,819
Derivative Investment - Hedging	-	-	-	-	-	-	-	1,727,682
Total Noncurrent Liabilities	<b>522,415,233</b>	<b>812,272,491</b>	<b>24,484,598</b>	<b>173,881,063</b>	<b>560,060,181</b>	<b>(504,967,714)</b>	<b>1,588,145,851</b>	<b>1,560,484,099</b>
<b>Total Liabilities</b>	<b>562,835,623</b>	<b>854,120,575</b>	<b>28,906,752</b>	<b>185,847,946</b>	<b>613,446,537</b>	<b>(545,603,921)</b>	<b>1,699,553,512</b>	<b>1,738,418,955</b>
<b>Deferred Inflows of Resources</b>								
Derivative Instrument	-	3,328,815	-	960,304	849,262	-	5,138,381	2,193,576
Unamortized Lease Receivable	-	9,582,722	-	-	-	-	9,582,722	9,582,722
Unamortized Pension Net Difference	15,888,812	1,993,837	6,109,641	-	-	-	23,992,290	23,992,290
Unamortized OPEB Net Difference	8,736,288	1,168,662	5,415,565	-	-	-	15,320,514	15,320,515
Total Deferred Inflows of Resources	<b>24,625,100</b>	<b>16,074,036</b>	<b>11,525,206</b>	<b>960,304</b>	<b>849,262</b>	<b>-</b>	<b>54,033,908</b>	<b>51,089,103</b>
<b>Net Position</b>								
Net investment in Capital assets	11,514,275	(155,009,288)	6,317,221	-	-	-	(137,177,792)	(135,707,939)
Amounts Restricted for:								
Debt Service	-	42,941,581	-	17,059,233	32,496,398	-	92,497,212	99,157,634
Customer deposits and other	-	561,017	1,251,915	-	-	-	1,812,932	2,385,144
Closing cost assistance program and other	6,972,465	-	-	-	-	-	6,972,465	5,965,095
Unrestricted (deficit)	13,993,124	310,413,287	(2,535,785)	522,602	2,109,438	-	324,502,666	325,301,359
<b>Total net position</b>	<b>32,479,865</b>	<b>198,906,597</b>	<b>5,033,351</b>	<b>17,581,835</b>	<b>34,605,836</b>	<b>-</b>	<b>288,607,483</b>	<b>297,101,293</b>
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<b>619,940,587</b>	<b>1,069,101,208</b>	<b>45,465,309</b>	<b>204,390,084</b>	<b>648,901,635</b>	<b>(545,603,921)</b>	<b>2,042,194,902</b>	<b>2,086,609,351</b>

# Housing Opportunities Commission of Montgomery County, Maryland

## Combining Statement of Revenue and Expenses

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

	<u>General Fund</u>	<u>Opportunity Housing Fund</u>	<u>Public Fund</u>	<u>Single Family Fund</u>	<u>Multi Family Fund</u>	<u>Elimination</u>	<u>12/31/2022 Total Funds with Elimination</u>	<u>12/30/2021 Total Funds with Elimination</u>
<b>Operating Revenues</b>								
Dwelling Rental	\$ -	\$ 49,964,940	\$ 366,706	\$ -	\$ -	\$ -	\$ 50,331,647	\$ 52,679,822
Investment Income	-	-	-	2,656,934	3,670,424	-	6,327,358	4,388,153
Unrealized Gains (Losses) on Investments	-	-	-	(6,110,435)	(752,377)	-	(6,862,812)	(1,708,840)
Interest on Mortgage & Construction Loans Receivable	-	-	-	784,503	6,895,430	(3,643,355)	4,036,578	2,967,194
Management Fees and Other Income	9,052,242	1,490,648	136,360	-	-	(6,559,989)	4,119,261	6,605,449
U.S. Department of Housing and Urban Development Grants:								
Housing Assistance Payments (HAP)	-	-	64,418,824	-	-	-	64,418,824	61,094,186
HAP Administrative Fees	-	-	5,486,664	-	-	-	5,486,664	5,368,573
Other Grants	-	-	2,663,637	-	-	-	2,663,637	2,709,708
State and County Grants	-	-	5,691,163	-	-	-	5,691,163	7,057,141
<b>Total Operating Revenues</b>	<b>9,052,242</b>	<b>51,455,589</b>	<b>78,763,355</b>	<b>(2,668,998)</b>	<b>9,813,476</b>	<b>(10,203,344)</b>	<b>136,212,320</b>	<b>141,161,386</b>
<b>Operating Expenses</b>								
Housing Assistance Payments	-	-	65,545,721	-	-	-	65,545,721	61,480,364
Administration	7,873,291	8,039,194	9,444,926	644,881	1,285,692	(4,161,647)	23,126,336	22,709,525
Maintenance	960,187	13,285,211	41,157	-	-	-	14,286,556	14,841,844
Depreciation and amortization	179,104	10,081,150	11,142	-	-	-	10,271,395	10,937,982
Utilities	109,131	3,165,061	166,582	-	-	-	3,440,774	3,884,629
Fringe Benefits	2,891,795	1,437,338	1,630,103	85,302	137,175	-	6,181,713	6,173,800
Interest expense	-	13,559,508	-	2,304,072	8,394,638	(3,643,355)	20,614,864	16,037,464
Other Expense	673,419	4,314,644	722,147	59,228	-	(2,398,342)	3,371,095	4,122,259
<b>Total operating expenses</b>	<b>12,686,927</b>	<b>53,882,105</b>	<b>77,561,778</b>	<b>3,093,482</b>	<b>9,817,505</b>	<b>(10,203,344)</b>	<b>146,838,454</b>	<b>140,187,868</b>
<b>Operating Income (loss)</b>	<b>(3,634,685)</b>	<b>(2,426,517)</b>	<b>1,201,577</b>	<b>(5,762,480)</b>	<b>(4,029)</b>	<b>-</b>	<b>(10,626,134)</b>	<b>973,519</b>
<b>Nonoperating Revenues (Expenses)</b>								
.Investment Income	865,013	1,052,252	22,366	-	-	-	1,939,631	794,146
.Interest on Mortgage and Construction Loans Receivable	6,016,211	479,735	-	-	-	(4,506,167)	1,989,780	1,556,990
.Interest Expense	(5,928,522)	(632,287)	-	-	-	4,506,167	(2,054,642)	(1,744,636)
Other Grants	-	257,555	-	-	-	-	257,555	122,709
Gain/(Loss) on Sale of Assets	-	-	-	-	-	-	-	68,911,989
<b>Total nonoperating revenues (expenses)</b>	<b>952,703</b>	<b>1,157,256</b>	<b>22,366</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,132,324</b>	<b>69,641,198</b>
<b>Income (loss) before capital contributions and transfers</b>	<b>(2,681,982)</b>	<b>(1,269,261)</b>	<b>1,223,943</b>	<b>(5,762,480)</b>	<b>(4,029)</b>	<b>-</b>	<b>(8,493,810)</b>	<b>70,614,717</b>
Transfer To/(From) Discrete Component Units	-	-	-	-	-	-	-	-
Capital contributions/(distributions)	-	-	-	-	-	-	-	(62,793)
Operating transfers in (out)	-	-	-	-	-	-	-	-
<b>Change in Net Position</b>	<b>\$ (2,681,982)</b>	<b>\$ (1,269,261)</b>	<b>\$ 1,223,943</b>	<b>\$ (5,762,480)</b>	<b>\$ (4,029)</b>	<b>\$ -</b>	<b>\$ (8,493,810)</b>	<b>\$ 70,551,924</b>
<b>Total Net Position, Beginning of Year</b>	<b>35,161,847</b>	<b>200,175,858</b>	<b>3,809,408</b>	<b>23,344,315</b>	<b>34,609,865</b>	<b>-</b>	<b>297,101,293</b>	<b>235,861,887</b>
<b>Total Net Position, End of Year</b>	<b>\$ 32,479,865</b>	<b>\$ 198,906,597</b>	<b>\$ 5,033,351</b>	<b>\$ 17,581,835</b>	<b>\$ 34,605,836</b>	<b>\$ -</b>	<b>\$ 288,607,483</b>	<b>\$ 306,413,811</b>

## HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND

(A Component Unit of Montgomery County, Maryland)

Notes to Financial Statements

December 31, 2022

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

	FY'23	FY'22	Dollar Variance	Percentage Variance
<b>1.a Cash and Cash Equivalents</b>	<b>132,411,957</b>	<b>141,338,502</b>	<b>(8,926,545)</b>	<b>(6.32%)</b>
<p>The decrease in cash and cash equivalents is mainly attributed to a decrease in the General Fund due to the payment of FY2023 commercial liability insurance, property taxes and Yardi annual license and maintenance for Yardi Saas private cloud system, a decrease in the Opportunity Housing Reserve Fund (“OHRF”) and an increase in advances to several component units due to timing (note 1.b). The decrease in the OHRF is largely due to bridge financing of HOC at Shady Grove LLC (“Shady Grove”) and Hillandale Gateway LLC (“Hillandale”) predevelopment expenses and funding of HOC at CCL Multifamily-Member equity contribution. The decrease is partly reduced by an increase in unrestricted cash at the property level for The Metropolitan, HOC at Battery Lane LLC (“Battery Lane”), Pooks Hill Dev. Corp. (“Pooks Hill”), Paddington Square Dev. Corp. (“Paddington”) and Bradley Crossing LLC (“Bradley Crossing”).</p>				
<b>1.b Advances to Component Units</b>	<b>6,232,969</b>	<b>4,066,220</b>	<b>2,166,749</b>	<b>53.29%</b>
<p>The increase in the advances to component units is primarily attributed to the timing of the payment and the reimbursement of capital and operating expenditures at several properties through the Central Disbursement System. Major contributors consist of Bauer Park Apartments LP, (“Bauer Park”), Elizabeth House III LP (“EH III/The Leggett”), South County Regional Recreation and Aquatic Center (“SCRRAC”), HOC at Willow Manor LLC (“Willow Manor”), and HOC at the Upton II LLC (“Residences on the Lane”), Arcola Towers RAD LP (“Arcola”) and Town Center Apartments. This increase is partially offset by a decrease at Shady Grove and Hillandale.</p>				
<b>1.c Accounts Receivable and Other Assets</b>	<b>31,136,270</b>	<b>27,678,413</b>	<b>3,457,857</b>	<b>12.49%</b>
<p>The increase is mainly due to an increase in Opportunity Housing Fund (“OH Fund”) tenant rent and rent subsidies receivables net of allowance for bad debts, primarily at RAD 6 properties, VPC One, VPC Two, Cider Mill, Scattered Site One, Alexander House- market side, State Rental Partnerships and Bradley Crossing. Prepaid insurance and inventories within the General Fund also increased. The increase in OH Fund and General Fund is partially offset by a decrease in Public Fund attributed to the receipt of the CDBG Rental Assistance from the County that was accrued in FY’22 partly offset by an increase in receivables from the County Main Grant and HCV Incoming Portables.</p>				
<b>1.d Accrued Interest Receivable</b>	<b>15,809,462</b>	<b>14,093,802</b>	<b>1,715,660</b>	<b>12.17%</b>
<p>The increase in the accrued interest receivable is mainly driven by interests on Seller Notes from Alexander House LP, HOC at Stewartown Homes LLC, HOC at Georgian Court LLC and HOC at Shady Grove LLC, Arcola and Waverly.</p>				
<b>1.e Mort. &amp; Const. Loans Receivable-Current</b>	<b>11,489,436</b>	<b>13,157,945</b>	<b>(1,668,510)</b>	<b>(12.68%)</b>
<b>1.e Mort. &amp; Const. Loans Receivable-Non-Current</b>	<b>670,856,288</b>	<b>651,531,537</b>	<b>19,324,751</b>	<b>2.97%</b>
<b>Total</b>	<b>682,345,724</b>	<b>664,689,482</b>	<b>17,656,242</b>	<b>2.66%</b>
<p>The increase in total mortgage and construction loans receivable is attributable to additional PNC Real Estate Line of Credit (“RELOC”) draws for EH III/The Leggett, HOC at Upton II (“Upton/The Residence Lane”) and the Wheaton Gateway development.</p>				
<b>1.f Restricted Cash &amp; Cash Equivalents</b>	<b>184,185,325</b>	<b>225,725,994</b>	<b>(41,540,669)</b>	<b>(18.40%)</b>
<p>The decrease in the restricted cash and cash equivalents is mainly due to a decrease in the undrawn bond proceeds within the Multifamily Bond Fund.</p>				



<b>1.g</b>	<b>Restricted Short-term Investments</b>	<b>2,277,123</b>	<b>3,596,993</b>	<b>(1,319,870)</b>	<b>(36.69%)</b>
	The decrease in the Single Family Bond Fund mainly accounted for the decrease in the restricted short-term investments.				
<b>1.h</b>	<b>Cash for Current Bonds Payable</b>	<b>30,567,664</b>	<b>40,703,219</b>	<b>(10,135,555)</b>	<b>(24.90%)</b>
	The decrease in the cash restricted for current bonds payable is largely attributed to the Single Family Bond Fund due to a decrease in current maturing bonds payable.				
<b>1.i</b>	<b>Restricted Long-term Investments</b>	<b>168,251,516</b>	<b>169,381,806</b>	<b>(1,130,290)</b>	<b>(0.67%)</b>
	The decrease is mainly due to a decrease in the fair market value of long-term investments within the Multifamily Bond Fund.				
<b>1.j</b>	<b>Capital Assets, Being Depreciated, Net</b>	<b>515,380,308</b>	<b>525,490,625</b>	<b>(10,110,317)</b>	<b>(1.92%)</b>
<b>1.j</b>	<b>Capital Assets, Not Being Depreciated, Net</b>	<b>157,612,299</b>	<b>155,654,459</b>	<b>1,957,840</b>	<b>1.26%</b>
	<b>Total</b>	<b>672,992,607</b>	<b>681,145,084</b>	<b>(8,152,477)</b>	<b>(1.20%)</b>

The decrease in the net capital assets is mainly due to the normal depreciation of assets.

<b>1.k</b>	<b>Investment in Component Units</b>	<b>36,692,565</b>	<b>35,860,438</b>	<b>832,127</b>	<b>2.32%</b>
	The increase in investment in component units is largely attributed to HOC's additional equity contributions to CCL Multifamily LLC ("CCL MF/The Lindley") due to the exit and replacement of the previous investor.				
<b>1.l</b>	<b>Deferred Outflows-Derivative Instrument</b>	<b>20,637,912</b>	<b>21,270,199</b>	<b>(632,287)</b>	<b>(2.97%)</b>
<b>1.l</b>	<b>Deferred Outflows-Fair Value of Hedging Derivati</b>	<b>-</b>	<b>1,727,682</b>	<b>(1,727,682)</b>	<b>(100.00%)</b>
<b>1.l</b>	<b>Deferred Outflows-Pension Activities</b>	<b>30,990,438</b>	<b>30,990,438</b>	<b>(0)</b>	<b>0.00%</b>
<b>1.l</b>	<b>Deferred Outflows-OPEB Activities</b>	<b>6,401,277</b>	<b>6,401,277</b>	<b>(0)</b>	<b>(0.00%)</b>
	<b>Total</b>	<b>58,029,627</b>	<b>60,389,596</b>	<b>(2,359,969)</b>	<b>(3.91%)</b>

As of December 31, 2022, all of HOC's interest rate swaps were deemed effective hedges. Therefore, under GASB No. 53, *Accounting and Financial Reporting for Derivative Instruments*, the changes in fair values of hedging derivative instruments are reported as either deferred inflows or outflows in the Statements of Net Position. HOC's interest rate swaps consists of (\$960,304) in the Single Family Bond Fund, (\$849,762) in the Multifamily Bond Fund and (\$3,328,815) in the Opportunity Housing Fund which is made up of (\$1,060,512) Upton II construction Loan and (\$2,268,303) Elizabeth House III.

The interest swaps on CCL Multifamily and Alexander House were terminated on September 8, 2019, which required HOC to make a 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 first mortgage loans with the Federal Financing Bank. The unamortized balance of the swap termination payment is \$20,637,912 reported as deferred outflows of resources as of December 31, 2022.

In accordance with GASB No. 68, *Accounting and Financial Reporting for Pensions*, and GASB No. 75, *Accounting and Financial Reporting for Post-Employment 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).

<b>1.m</b>	<b>Accounts Payable and Accrued Liabilities</b>	<b>25,323,349</b>	<b>28,684,325</b>	<b>(3,360,976)</b>	<b>(11.72%)</b>
	The increase in accounts payable and accrued liabilities is primarily driven by the payment of arbitrage rebate liability under the SF Mortgage Revenue Bonds 2013 Series AB, excess HCV Cares Act funds and accrued MIP/FHA share to HUD as well as payment of various accrued invoices.				
<b>1.n</b>	<b>Undrawn Mortgage Proceeds payable</b>	<b>29,331,183</b>	<b>68,050,006</b>	<b>(38,718,823)</b>	<b>(56.90%)</b>

The decrease is mainly driven by bond draws for HOC at Westside Shady Grove LLC ("WSSG"), HOC at Stewartown LLC, Bauer Park, HOC at Georgian Court LLC, HOC at Shady Grove LLC and Willow Manor.

<b>1.o</b>	<b>Loans Payable to Montgomery Co-Current</b>	<b>199,261</b>	<b>241,243</b>	<b>(41,982)</b>	<b>(17.40%)</b>
<b>1.o</b>	<b>Loans Payable to Montgomery Co-Non-Current</b>	<b>92,449,780</b>	<b>87,549,922</b>	<b>4,899,858</b>	<b>5.60%</b>
	<b>Total</b>	<b>92,649,041</b>	<b>87,791,165</b>	<b>4,857,876</b>	<b>5.53%</b>

The increase in the loans payable to Montgomery County is largely due to additional funding for the Montgomery County Homeownership Assistance Fund (“McHAF”) and County loan of Brooke Park Apartments to pay off the PNC RELOC and LOC advances, partially offset by repayments of loans related to 8800 Bonifant, Holiday Park Townhomes and Chelsea Towers.

<b>1.p</b>	<b>Mortgage Notes &amp; Loans Payable-Current</b>	<b>6,140,427</b>	<b>26,091,520</b>	<b>(19,951,093)</b>	<b>(76.47%)</b>
<b>1.p</b>	<b>Mortgage Notes &amp; Loans Payable-Non-Current</b>	<b>662,225,786</b>	<b>626,827,946</b>	<b>35,397,840</b>	<b>5.65%</b>
	<b>Total</b>	<b>668,366,214</b>	<b>652,919,466</b>	<b>15,446,748</b>	<b>2.37%</b>

The increase in total mortgage notes and loans payable is attributed primarily to additional RELOC draws for EH III/The Leggett, Upton/The Residence Lane, Wheaton Gateway, HOC at Stewartown Homes LLC, and HOC at Garnkirk and HOC Fenwick & Second Headquarters. Furthermore, \$5 million was drawn from the \$60 million PNC Line of Credit (“LOC”) for the HOC volume cap recycling with CDA (Upton II/Residences on the Lane). The Brooke Park Apartments RELOC and LOC advances were paid off which partially offset the increase.

<b>1.q</b>	<b>Accrued Interest Payable - Restricted</b>	<b>9,255,957</b>	<b>8,595,765</b>	<b>660,192</b>	<b>7.68%</b>
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The increase in restricted accrued interest payable is mainly driven by Single Family Bond Fund attributed mainly to the new bonds issued June 2022.

<b>1.r</b>	<b>Bonds Payable - Current</b>	<b>21,254,165</b>	<b>31,988,733</b>	<b>(10,734,569)</b>	<b>(33.56%)</b>
<b>1.r</b>	<b>Bonds Payable - Non-Current</b>	<b>731,335,987</b>	<b>741,557,113</b>	<b>(10,221,126)</b>	<b>(1.38%)</b>
	<b>Total</b>	<b>752,590,151</b>	<b>773,545,846</b>	<b>(20,955,695)</b>	<b>(2.71%)</b>

The decrease in the total outstanding bonds payable is largely due to a decrease in the Single Family Bond Fund as well as the Multifamily Bond Fund. The Single Family Bond Fund redeemed and retired bonds for \$10.7 million under the 1979 Indenture, \$3.5 million under the 2019 Indenture and 2.1 million under the 2009 Indenture. The Multifamily Bond Fund redeemed and retired bonds for \$4.5 million under the Multifamily Housing Development Bonds (1996 Indenture) and \$0.6 million under the Stand Alone 1998 Issue. Bond defeasance related to 1994 Strathmore Issue for (\$0.5) million was retired as well.

<b>1.s</b>	<b>Unearned Revenue</b>	<b>38,161,842</b>	<b>34,702,518</b>	<b>3,459,324</b>	<b>9.97%</b>
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The increase in the deferred revenue is attributable to the receipt of additional Rental Assistance from the County under the HIF RAAP 1&2 and advance funding for the County Main Grant. The excess monthly remittance to the trustee from properties with Federal Financing Bank loans to pay for the Loan Management Fees, Mortgage Insurance Premium and Trustee fees contributed to the increase as well.

<b>1.aa</b>	<b>Dwelling Rental</b>	<b>50,331,647</b>	<b>52,679,822</b>	<b>(2,348,176)</b>	<b>(4.46%)</b>
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The decrease in dwelling rental income is primarily driven by the three Manor properties (The Manor at Fair Hill Farms LLC, The Manor at Cloppers Mill LLC & The Manor at Colesville LLC), Shady Grove Apartments LP (“Shady Grove”) and Georgian Court Silver Spring LP (“Georgian Ct”), which were sold to single purpose entities in December 2021. The decrease in FY’23 rental income is partially offset by additional rent from Battery Lane and Avondale properties, which were acquired in June 2022 and March 2022, respectively. The rental revenue at Bradley Crossing, Alexander House, Westwood Towers, VPC Two, Strathmore Court, and several other Opportunity Housing properties also increased. Bad debt expense for the six-month period of July 2022 to December 2022, total approximately \$2.8 million. As of December 31, 2022, the tenant receivable balance has increased by \$3,569,336 from June 30, 2022, totaling \$11,366,306. 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 continued impact of the COVID-19 pandemic on rent payment.

<b>1.bb Investment Income</b>	<b>6,327,358</b>	<b>4,388,153</b>	<b>1,939,205</b>	<b>44.19%</b>
The increase in the investment income is largely due to Housing Production Fund (“HPF”) Limited Obligation Bonds Series 2021 and Multifamily Housing Development Bonds (“MHDB”) 2021 Series ABCD bonds within the Multifamily Bond Fund, Mortgage Revenue Bonds (“MRB”) 2021 Series ABCD and 2022 Series ABCD within the Single Family Bond Fund, and higher interest rate compared to the previous year.				
<b>1.cc Unrealized Gains (Losses) on Investments</b>	<b>(6,862,812)</b>	<b>(1,708,840)</b>	<b>(5,153,973)</b>	<b>301.61%</b>
Unrealized gains (losses) on investment reflect the hypothetical gains and/or losses on investments HOC would have received if those investments had 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.				
<b>1.dd Interest on Mortg. &amp; Const. Loans Receivable</b>	<b>4,036,578</b>	<b>2,967,194</b>	<b>1,069,384</b>	<b>36.04%</b>
The increase in interest on mortgage and construction loans receivable is mainly due to an increase in the MHDB 2021 Series CD mortgage loan receivable balance in the Multifamily Bond Fund.				
<b>1.ee Management Fees &amp; Other Income</b>	<b>4,119,261</b>	<b>6,605,449</b>	<b>(2,486,187)</b>	<b>(37.64%)</b>
The decrease in management fees and other income is mainly due to a decrease in development fee income.				
<b>1.ff Housing Assistance Payments-Revenue</b>	<b>64,418,824</b>	<b>61,094,186</b>	<b>3,324,638</b>	<b>5.44%</b>
<b>1.ff Housing Assistance Payments-Expense</b>	<b>65,545,721</b>	<b>61,480,364</b>	<b>4,065,357</b>	<b>6.61%</b>
Housing Assistance Payments (“HAP”) – revenue increased under the HCV Main Program, Emergency Housing Vouchers, Mainstream Program, Incremental Housing Choice Vouchers and HCV Incoming Portables, partly offset by a decrease in earned HAP revenue under the COVID-19 HCV Main Program and HCV Elizabeth House III. The increase in HAP expense is mainly due to increased leasing and leasing costs within the HCV Main Program, Emergency Housing Vouchers, HCV Incoming & Outgoing Portables, and Non-Elderly Persons with disabilities partly offset by a decrease in HCV VPC One Dev. Corp., HCV Project Based Vouchers and COVID-19 HCV Main Program.				
<b>1.gg State and County Grants</b>	<b>5,691,163</b>	<b>7,057,141</b>	<b>(1,365,977)</b>	<b>(19.36%)</b>
The decrease in state and county grants is mainly due to the decrease in the Capital Improvement Program (“CIP”) and County Main-Public Housing Program, partially offset by an increase in the County Main Programs.				
<b>1.hh Administration</b>	<b>23,126,336</b>	<b>22,709,525</b>	<b>416,811</b>	<b>1.84%</b>
The increase in administrative expense is mainly driven by the General Fund expenses mainly due to the online information services, temporary agency services and division awards, partially offset by a decrease in administrative salaries. The Public Fund expenses also increased mainly due to on-line information services, and administrative salaries, partly offset by a decrease in the COVID 19 Main Program (HAP and Admin). The Opportunity Housing Fund administrative expenses did not change materially. The increase in expenses at Battery Lane, VPC One, Paddington Square, Metropolitan and other properties was offset by the sale of the three Manor properties, Georgian Court and Shady Grove and a decrease in Westwood Towers.				
<b>1.ii Maintenance</b>	<b>14,286,556</b>	<b>14,841,844</b>	<b>(555,288)</b>	<b>(3.74%)</b>
The decrease in maintenance expense is largely due to General Fund and Public Fund’s computer equipment and computer software expenses related to application development and technical services, partly offset by a decrease in the OH Fund. The increase in maintenance expenses at Battery Lane, Alexander House, RAD 6, VPC One, Paddington Square, and Magruders, partially offset by the sale of the three Manors, Georgian Court and Shady Grove accounted for the increase in OH Fund.				
<b>1.jj Utilities</b>	<b>3,440,774</b>	<b>3,884,629</b>	<b>(443,855)</b>	<b>(11.43%)</b>
The decrease in utilities is mainly due to a decrease in Paddington Square, Barclay, Glenmont Crossing, Cider Mill Apartments, the sale of three Manor properties, Shady Grove and Georgian Court, partly offset by an increase at Battery Lane.				

	FY'23	FY'22	Variance	Variance
<b>1.kk Interest Expense - Operating</b>	<b>20,614,861</b>	<b>16,037,464</b>	<b>4,577,396</b>	<b>28.54%</b>
<b>1.kk Interest Expense - Non-Operating</b>	<b>2,054,642</b>	<b>1,744,636</b>	<b>310,006</b>	<b>17.77%</b>

The increase in total interest expense is attributed primarily to the interest on the Battery Lane acquisition loan with Eagle Bank, accrued interest on MV Gateway II LLC mezzanine loan and Bradley Crossing's Eagle Bank loan, partly reduced by the sale of the three Manor properties, Georgian Court and Shady Grove. The Multifamily Bond Fund also contributed to the increase mainly due to new bond issued for Willow Manor, HOC at Georgian Court LLC and HOC at Shady Grove LLC, and HPF in December 2021 and September 2021, respectively. Lastly, the Single Family Bond Fund increased as well attributed primarily to the new SF MRB 2022 Series ABCD bond issue.

<b>1.ii Other Expense</b>	<b>3,371,084</b>	<b>4,122,259</b>	<b>(751,175)</b>	<b>(18.22%)</b>
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The decrease in other expense is primarily due to a decrease in the Opportunity Housing properties' liability and mortgage insurance as well as COVID-19 expenses, partially offset by an increase in security contracts.

## 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  
Terri Fowler, Budget Officer

**RE:** **Fiscal Year 2023 (FY'23) Second Quarter Budget Amendment:** Presentation of the FY'23 Second Quarter Budget Amendment

**DATE:** February 17, 2023

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### BACKGROUND:

The HOC Budget Policy provides that the Executive Director propose budget amendments for Commission consideration, which may better reflect the revenues and expenses for the remainder of the fiscal year.

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### ISSUES FOR CONSIDERATION:

**Operating Budget Amendments:** Below are descriptions of the proposed amendments for FY'23:

- **Bond Funds:** Bond draws are made each year to fund the administrative costs associated with the Multifamily and Single Family Bond Programs. As a result of expense savings over the past few years, remaining money from the draws has been restricted to cover future program costs. Staff proposes that the FY'23 budgeted draws for these funds be reduced by the accumulated savings in each fund.
  - **Multifamily Bond Funds:** Accumulated savings in the Multifamily Bond Fund is \$210,064. The projected draw of \$2,319,502 will be reduced by this amount and the savings will be used towards FY'23 administrative costs. Therefore, there is no impact to the income of the fund. The revised draw will be \$2,109,438.
  - **Single Family Bond Funds:** Accumulated savings in the Single Family Bond Fund is \$190,931. The projected draw of \$1,513,533 will be reduced by this amount and the savings will be used towards FY'23 administrative costs. Therefore, there is no impact to the income of the fund. The revised draw will be \$1,322,602.

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**BUDGET IMPACT:**

The net effect of the FY'23 Second Quarter Budget Amendment maintains a balanced operating budget.

The total FY'23 Operating Budget for HOC remains at \$316,381,237. There is no change to the overall budget. Approval by the Commission of any budget amendments will revise the FY'23 Budget to reflect an accurate plan for the use of the Agency's resources for the remainder of the fiscal year.

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**TIME FRAME:**

For informal discussion at the February 17, 2023 Budget, Finance and Audit Committee meeting.  
For formal Commission action at the March 8, 2023 meeting.

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**STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:**

Staff requests that the Budget, Finance and Audit Committee join its recommendation to the full Commission for approval of the proposed FY'23 Second Quarter Budget Amendment.

## MEMORANDUM

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

**VIA:** Chelsea Andrews Executive Director

**FROM:** Staff: Tim Goetzinger, Acting Chief Financial Officer  
Eugenia Pascual, controller  
Nilou Razeghi, Accounting Manager  
Ellen Goff, Acting Director of Property Management

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

**DATE:** February 17, 2023

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### **BACKGROUND:**

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

The last approved write-off of former tenant accounts receivable balances on January 11, 2023, totaled \$12,654, which covered the three-month period from July 1, 2022 through September 30, 2022 (the first quarter of fiscal year 2023).

The proposed write-off of former tenant accounts receivable balances for the second quarter of fiscal year 2023, covering October 1, 2022 through December 31, 2022, is \$49,256.

The \$49,256 second quarter write-off is attributable to former tenants within HOC's Opportunity Housing properties, Supportive Housing properties, LIHTC/RAD properties and the Section 236 properties. The primary reasons for the write-offs across the properties include tenants who passed away, no longer qualify for their respective housing program, were in non-compliance status with program requirements, moved to a nursing home, relocated out of state, skipped, and voluntarily vacated their units.

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

	Current	Prior			Fiscal Year 2023	Fiscal Year 2022
	Write-offs	Write-offs	\$ Change	% Change	Year-to-Date	Year-to-Date
Property Type	10/01/22 - 12/31/22	07/01/22 - 09/30/22	10/01/22 - 12/31/22	10/01/22 - 12/31/22	07/01/22 - 12/31/22	07/01/21 - 12/31/21
Opportunity Housing	14,669	12,654	2,015	15.92%	27,323	57,054
Supportive Housing	30,342	-	30,342	0.00%	30,342	2,732
RAD Properties	104	-	104	0.00%	104	32,116
Section 236 Properties	4,141	-	4,141	0.00%	4,141	2,762
	<b>\$ 49,256</b>	<b>\$ 12,654</b>	<b>\$ 36,602</b>	<b>289.25%</b>	<b>\$ 61,910</b>	<b>\$ 94,664</b>

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

### Opportunity Housing Fund

	Current	Prior			Fiscal Year 2023	Fiscal Year 2022
	Write-offs	Write-offs	\$ Change	% Change	Year-to-Date	Year-to-Date
	10/01/22 - 12/31/22	07/01/22 - 09/30/22	10/01/22 - 12/31/22	10/01/22 - 12/31/22	07/01/22 - 12/31/22	07/01/21 - 12/31/21
<b>Opportunity Housing (OH) Fund</b>						
Magruder's Discovery	\$ 9,560	\$ -	\$ 9,560	0.00%	\$ 9,560	\$ -
McHome	-	-	-	0.00%	-	8,392
MHLP IX - MPDU	-	-	-	0.00%	-	3,203
MHLP VII	-	-	-	0.00%	-	1,475
MHLP X	-	-	-	0.00%	-	15,134
MPDU I/64	-	800	(800)	-100.00%	800	-
Paintbranch	-	153	(153)	-100.00%	153	-
Scattered Site One Dev Corp	-	10,840	(10,840)	-100.00%	10,840	20,332
State Rental Partnership	-	634	(634)	-100.00%	634	5,377
TPM Dev Corp - MPDU II (59)	769	-	769	0.00%	769	2,918
VPC One Corp	4,340	-	4,340	0.00%	4,340	223
VPC Two Corp	-	227	(227)	-100.00%	227	-
<b>Total OH Fund</b>	<b>\$ 14,669</b>	<b>\$ 12,654</b>	<b>\$ 2,015</b>	<b>15.92%</b>	<b>\$ 27,323</b>	<b>\$ 57,054</b>

Within the Opportunity Housing portfolio, the \$14,669 write-off amount was primarily attributable to Magruder's Discovery, TPM Development Corporation – MPDU II (59) and VPC One Corporation. The write-offs were mainly due to one tenant who skipped and two tenants who voluntarily vacated their units.

### Supportive Housing

	Current	Prior			Fiscal Year 2023	Fiscal Year 2022
	Write-offs	Write-offs	\$ Change	% Change	Year-to-Date	Year-to-Date
	10/01/22 - 12/31/22	07/01/22 - 09/30/22	10/01/22 - 12/31/22	10/01/22 - 12/31/22	07/01/22 - 12/31/22	07/01/21 - 12/31/21
<b>Supportive Housing</b>						
McKinney X - HUD	\$ 15,621	\$ -	\$ 15,621	0.00%	\$ 15,621	\$ 2,732
McKinney XIV - HUD	14,721	-	14,721	0.00%	14,721	-
<b>Total Supportive Housing</b>	<b>\$ 30,342</b>	<b>\$ -</b>	<b>\$ 30,342</b>	<b>0.00%</b>	<b>\$ 30,342</b>	<b>\$ 2,732</b>

Within the Supportive Housing program, there were two tenants who passed away, one tenant who no longer qualified for the program, one tenant who was non-compliant with program requirements, one who relocated out of state and one who skipped.



## LIHTC/RAD Properties

	Current	Prior			Fiscal Year 2023	Fiscal Year 2022
	Write-offs	Write-offs	\$ Change	% Change	Year-to-Date	Year-to-Date
	10/01/22 - 12/31/22	07/01/22 - 09/30/22	10/01/22 - 12/31/22	10/01/22 - 12/31/22	07/01/22 - 12/31/22	07/01/21 - 12/31/21
<b>LIHTC/RAD Properties</b>						
Arcola Towers LP	\$ -	\$ -	\$ -	0.00%	\$ -	\$ 3,409
RAD 6 - Sandy Spring	-	-	-	0.00%	-	46
RAD 6 - Seneca Ridge	-	-	-	0.00%	-	25,786
RAD 6 - Towne Centre Place	-	-	-	0.00%	-	2,691
Waverly House LP	104	-	104	0.00%	104	184
<b>Total RAD Properties</b>	<b>\$ 104</b>	<b>\$ -</b>	<b>\$ 104</b>	<b>0.00%</b>	<b>\$ 104</b>	<b>\$ 32,116</b>

Within the LIHTC/RAD properties, the write-off was due to one tenant who left to live in a nursing home.

## Section 236 Properties

	Current	Prior			Fiscal Year 2023	Fiscal Year 2022
	Write-offs	Write-offs	\$ Change	% Change	Year-to-Date	Year-to-Date
	10/01/22 - 12/31/22	07/01/22 - 09/30/22	10/01/22 - 12/31/22	10/01/22 - 12/31/22	07/01/22 - 12/31/22	07/01/21 - 12/31/21
<b>Section 236 Properties</b>						
Town Center Apts	\$ 4,141	\$ -	\$ 4,141	0.00%	\$ 4,141	\$ 2,762
<b>Total Section 236 Properties</b>	<b>\$ 4,141</b>	<b>\$ -</b>	<b>\$ 4,141</b>	<b>0.00%</b>	<b>\$ 4,141</b>	<b>\$ 2,762</b>

Within the Section 236 properties, the write-off was due to one tenant who passed away and one tenant who left to live in a nursing home.

These write-offs will be reported to Assurant Global Housing, HOC's collection company, as per the procedures listed below.

## Finance Write-Off and Recovery Procedures

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

The next anticipated write-off will be for the third quarter of FY'23 covering January 1, 2023 through March 31, 2023. 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.

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**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 second quarter of fiscal year 2023, totaling \$49,256?

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**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.

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**TIME FRAME:**

For discussion at the February 17, 2023 Budget, Finance and Audit Committee meeting. For formal Commission action at the March 8, 2023 meeting.

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**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 \$49,256.

**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  
Eugenia Pascual, Controller

**RE:** **Residences on the Lane (Upton II) and HOC at Garnkirk Farms, LLC:** Approval to Extend the Maturity Dates for the Draws on the PNC Bank Real Estate Line of Credit (“RELOC”) which financed the Commission Approved Actions related to Residences on the Lane (Upton II) and HOC at Garnkirk Farms, LLC

**DATE:** February 17, 2023

**BACKGROUND:**

The Commission previously approved advances from the \$150 million PNC Bank, N.A. Real Estate Line of Credit (“RELOC”) to fund a bridge loan during the acquisition and construction of the Upton II (Residences on the Lane) and to provide funding for predevelopment expenditures for HOC at Garnkirk Farms, LLC. Staff requests approval to extend the current maturity dates through September 30, 2024, which would make the project maturity dates co-terminus with the PNC RELOC maturity date. The total unspent amount under the PNC RELOC is \$69,620,594 as of December 31, 2022.

The table below indicates the current maturity dates, the outstanding principal amounts as of December 31, 2022 and the estimated annual cost under each of these loans.

Property	Line of Credit	Current Maturity date	Principal Balance	Estimated Annual Cost	Libor Rate & Spread under RELOC	
Residences on the Lane (Upton II)	\$150 million	March 2023	7,553,667	355,120	4.70129%	Taxable
HOC at Garnkirk Farms, LLC	\$150 million	May 2023	1,866,098	87,731	4.70129%	Taxable
<b>Total</b>			<b>\$ 9,419,765</b>	<b>\$ 442,850</b>		

**Residences on the Lane (Upton II)**

On January 9, 2019, the Commission approved taxable draws of up to \$12,000,000 on the RELOC to provide bridge funding of construction costs until repaid from the receipt of LIHTC investor funds. As of December 31, 2022, \$7,553,667 was drawn from the RELOC. Substantial completion of construction occurred starting by floor in early December 2021 with various close out punch work occurring through March 31, 2022. First unit deliveries and resident moves started in January 2022 and leasing continues as of December 31, 2022. On May 4, 2022, the Commission officially changed the name to Residences on The Lane.

This extension is required to allow for permanent financing and the receipt of equity payments. Permanent financing is scheduled for the end of February 2023 with receipt of the equity proceeds from completion and stabilization installments projected to occur in the second quarter of calendar year 2023. The project reached stabilization in late November and is expected to produce three consecutive months of stabilized occupancy from December through February. As of December 31, there were 6 units unoccupied, or 96% occupancy.

**HOC at Garnkirk Farms**

On September 17, 2021, the Commission (as the sole member of HOC at Garnkirk Farms, LLC) closed on a Ground Lease for a parcel located at Shawnee Lane and Observation Drive in Clarksburg, which is fully entitled for a 184-unit, wood frame apartment community wrapped around a 254-unit structured parking deck. On November 3, 2021, the Commission approved the predevelopment budget and authorized taxable draws of up to \$5,344,731 from the PNC RELOC to cover the predevelopment expenditures with outstanding interest to be paid from the General Fund, both to be repaid at the closing of the construction financing. On April 6, 2022, the Commission approved the execution of a Construction and Development Services agreement with RJD Real Estate Advisors for the development. Design and permitting will progress through 2023 with anticipation for a project start in 2024 contingent on the timing and approval of a LIHTC application. Anticipated repayment of RELOC is summer 2024. Draws through December 31, 2022 total \$1,866,098.

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**ISSUES FOR CONSIDERATION:**

Does the Budget, Finance and Audit Committee wish to join staff’s recommendation to the Commission to extend approval of the maturity dates to finance Commission approved actions related to Residences on the Lane (Upton II) and HOC at Garnkirk Farms, LLC through September 30, 2024, which will be co-terminus with the PNC RELOC?

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**PRINCIPALS:**

PNC Bank, N.A.

HOC on behalf of:

HOC at Upton II, LLC (Residences on the Lane)

HOC at Garnkirk Farms, LLC

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**BUDGET IMPACT:**

The amount of interest expense for FY 2023 is estimated to be \$442,850. The interest expense will be paid from the development budget.

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**TIME FRAME:**

For informal discussion at the February 17, 2023 Budget, Finance and Audit Committee meeting. For formal Commission action at the March 8, 2023 meeting.

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**STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:**

Staff recommends that the Budget, Finance and Audit Committee join its recommendation to the Commission to extend the use of the PNC RELOC to finance Commission approved actions related

to Residences on the Lane (Upton II) and HOC at Garnkirk Farms, LLC through September 30, 2024, which would be co-terminus with the PNC RELOC maturity date.

**MEMORANDUM**

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

**VIA:** Chelsea J. Andrews, Executive Director

**FROM:** Division: Real Estate  
Staff: Zachary Marks, Chief Real Estate Officer  
Marcus Ervin, Director of Development  
Gio Kaviladze, Senior Financial Analyst

Finance  
Timothy Goetzinger, Acting Chief Financial Officer

**RE:** **Cider Mill Apartments:** Approval to: 1) Execute a Change Order to the Existing Contract with Eastern Concrete Restoration to Replace Four (4) Additional Flat Roofs, and 2) Select Vertex Roofing Contractors, Inc., to Replace Mansard Roofs at Cider Mill Apartments.

**DATE:** February 17, 2023

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**STATUS:** Consent  Deliberation  Status  Report  Future Action

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**OVERALL GOAL & OBJECTIVE:**

Staff is seeking Approval to 1) execute a change order to the existing contract with Eastern Concrete Restoration to replace four (4) additional flat roofs, and 2) select Vertex Roofing Contractors, Inc., to replace the mansard roofs at Cider Mill Apartments if determined appropriate by the Executive Director after receiving a final determination from HUD.

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**BACKGROUND:**

Cider Mill Apartments (“Cider Mill”, the “Property”) is an 861-unit garden-style apartment community in Gaithersburg, MD. Amenities include a fitness center, surface parking, a swimming pool, and a soccer field. The Property, which is professionally managed by Grady Management (“Grady”) consists of 345 affordable units with income restricted to households earning up to 50% and 60% of Area Median Income (“AMI”) for the Washington, DC metropolitan area and 516 market-rate units.

HOC acquired Cider Mill in 2018 under Article 53A of the Montgomery County Code, the Right of First Refusal (“ROFR”) Ordinance. The Property was built in 1971 and is situated on approximately 43 acres; and is directly across from Lakeforest Mall, which is slated for a multi-stage comprehensive redevelopment comprising residential, commercial, employment, and retail uses. The Property comprises twenty-four (24) three-story garden apartment buildings with seventy-two (72) entryways, creating twelve (12) sheltered courtyards. The three-story walk-up residential buildings have similar concrete and brick construction with common exterior stairways/breezeways, and flat roofs covered with ballasted membranes and asphalt shingle-covered mansard roofs.

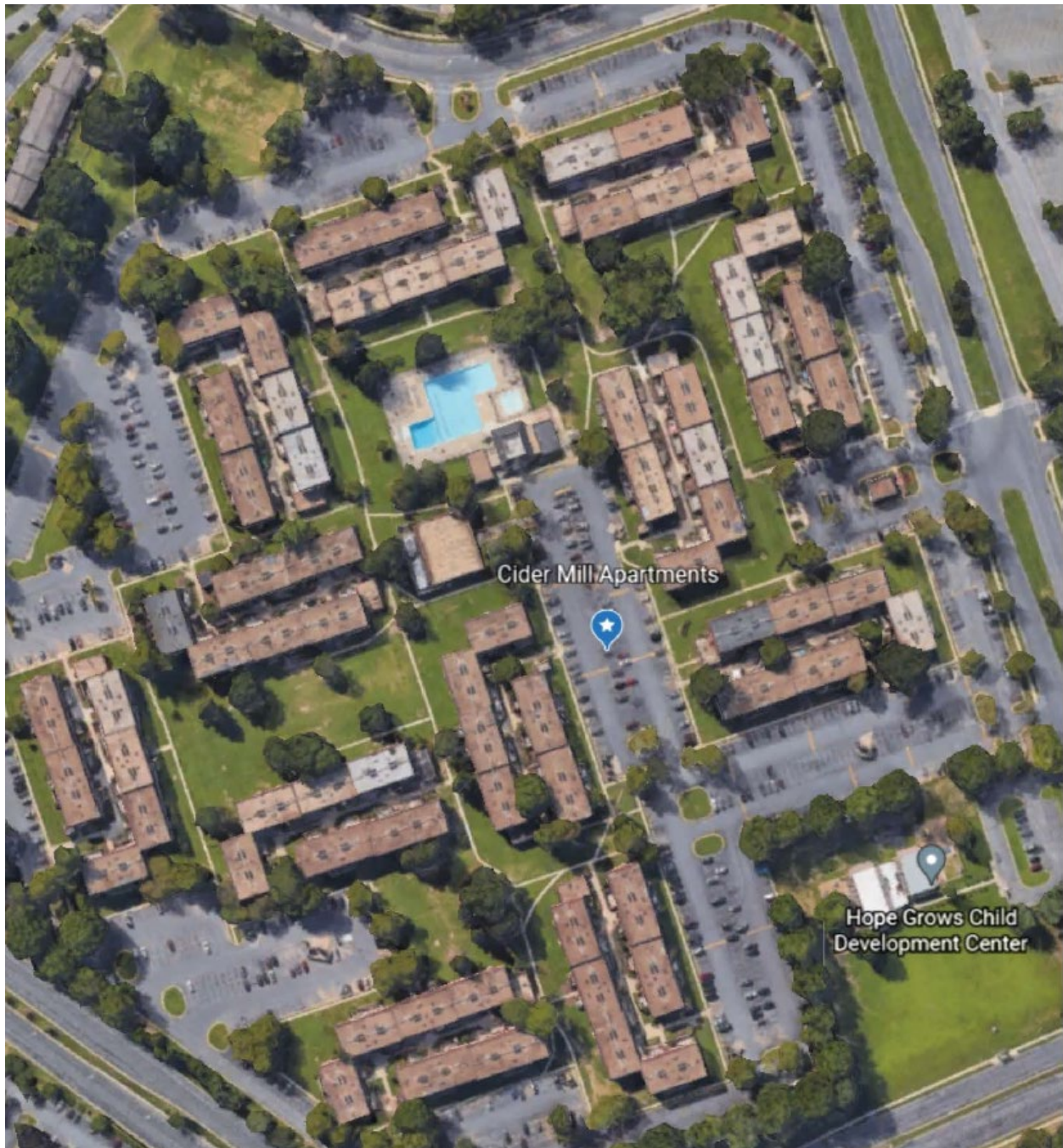


Figure 1 - Property Site Map

The Property underwent limited unit updates during renovation before HOC's acquisition, but the exterior and structural areas were not addressed. Several roofs have gradually deteriorated, and some require immediate attention and repairs due to water penetration issues and deterioration.

### **Flat Roofs**

The Commission approved and Grady engaged Eastern Concrete Restoration to replace the roofs on seven (7) buildings, which needed immediate replacement to resolve ongoing leaks and the work was completed in late 2022.

Since the start of the initial work, Grady identified and brought to HOC staff’s attention that there are four (4) additional roofs with ongoing leaks that need immediate attention. Staff obtained a cost estimate from Eastern Concrete Restoration to replace four (4) additional roofs, of which the contractor agreed to maintain the cost of additional roof replacements at the same per unit cost of \$116,000 per roof. Eastern Concrete Restoration is fully-mobilized on site and is able to commence working on the additional roofs if and as soon as the change order is approved.

<b>Flat Roof Replacement - Eastern Concrete Restoration</b>	<b>Amount</b>
Original Contract Sum, 6 Buildings	\$699,826
Approved Change Orders, 1 Additional Building and Increased Material Costs	\$227,697
<b>Work Completed in 2021-2022, 7 Roof Replacements</b>	<b>\$927,523</b>
Roof Replacement for Additional 4 Buildings	\$464,000
Contingency (20%)	\$92,800
<b>Funding Request for Additional Roof Replacements, 2023</b>	<b>\$556,800</b>
Total Roof Replacement Cost, 11 Buildings	\$1,484,323

Figure 3 - Eastern Concrete Restoration Proposal

Staff requests approval for a \$464,000 change order to the existing contract with Eastern Concrete Restoration to replace four (4) additional flat roofs. Staff further requests funding for a contingency of \$92,800 for unforeseen conditions during the completion of the work. If approved, this change order will result in a total contract amount of up to \$1,484,323 (inclusive of prior replacements), equivalent to approximately \$135,000 per replaced roof.

**Mansard Roofs**

In January 2022, the Property’s Real Estate Assessment Center (“REAC”) inspection identified damaged and missing shingles on the mansard roofs, which must be remediated promptly, according to the HUD inspection report. An extension was granted for procurement and work activities, but no further extensions will be granted until a contractor is selected<sup>1</sup>.

Failure to take immediate corrective action to remedy the deficiencies identified in HUD’s Notice of Violation may result in serious injury to HOC. HUD may declare a default of the Property Regulatory Agreement, may pursue any other remedies provided under the Regulatory Agreement, and may flag the owner in HUD’s Active Partners Performance System (“APPS”). This flag may adversely affect HOC’s eligibility for participation in HUD programs.

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<sup>1</sup> In June 2022, HOC issued an Invitation for Bid (“IFB”) #2329 to obtain bids for the removal and replacement of existing roof shingles. However, the contractor selection process was not concluded at the time.



Cider Mill Mansard Roof Replacement	Amount
Ruff Roofing and Sheet Metal	\$1,422,000
C.H. Siding Company	\$1,099,800
St.Mary's Roofing	\$938,480
Vertex Roofing	\$819,720

Figure 4 – Mansard Roofs Bid Summary

In January 2023, staff obtained four (4) proposals for the removal and replacement of the mansard roof shingles. Vertex Roofing Contractors, Inc. submitted the lowest bid, which is 13% lower than the next lowest bid. All bidders confirmed availability to start work in spring 2023, weather permitting, and complete the scope of work by September 2023. Staff proposes selecting Vertex Roofing Contractors, Inc. to commence the mansard roof replacements immediately.

Mansard Roof Repair - Vertex Roofing Contractors	Amount
06/2022 Bid Amount (to be confirmed)	\$819,720
Contingency (20%)	\$163,944
<b>Funding Request for Mansard Roof Repairs</b>	<b>\$983,664</b>

Figure 5 - Mansard Roof Bid & Funding Request

Staff requests emergency authorization for the Executive Director to execute a contract for the mansard roof replacements with Vertex Roofing Contractors, Inc., for the contract amount of \$819,720. Staff further requests funding for a contingency of \$163,944 for unforeseen conditions during the completion of the work totaling \$983,664. In the meantime, staff continues to pursue conversations with HUD to explore any alternatives to a full replacement.

If the two (2) procurement requests for replacing four (4) flat roofs and the mansard roofs are approved, the total funding needed would be \$1,283,720, which is the sum of \$464,000 for the flat roofs' change order authorization and \$819,720 for the emergency procurement of the mansard roofs. Including the proposed 20% contingency funding of \$92,800 for flat roofs and \$163,944 for mansard roofs, the total amount of funding needed would be \$1,540,464, which is the sum of \$556,800 for the change order authorization of flat roofs and \$983,664 for the emergency procurement of the mansard roofs.

**Funding for the Proposed Work**

The Property's repair and replacement reserves were funded at \$6.2 million when acquired in 2018, and its available balance as of February 2023 is \$3,885,368. The proposed flat and mansard roof replacements will reduce the fund balance to \$2,601,648 without contingency funds or \$2,344,904 if all contingency funds are used. The reserve is replenished annually with \$302,400.

**Longer-Term Plan for the Remaining Sixty-One (61) Flat Roofs**

HOC staff and Grady propose replacing nine (9) flat roofs annually, starting in fiscal year 2024, for \$1,125,000 per year. This plan is based on assessing the current condition of the sixty-one (61) remaining flat roofs and aims to avoid future emergency interventions caused by deterioration. Staff is exploring

the feasibility of adding rooftop solar arrays to the buildings as a way to reduce the cost of electricity and potentially fund the roof replacement. An initial engineering assessment by Construction Insight showed potential for the roof structure to become overstressed with a typical addition of roof ballast for the solar array. Further exploration with engineering and solar consultants is planned for the remainder of 2023, and staff will report findings and recommend options for the remaining flat roofs to the Commission.

**Summary of Past Approvals**

Date	Res.	Description
8-Dec-21	21-115	Approval to Engage Eastern Concrete Restoration to Replace Six Roofs at Cider Mill Apartments

**ISSUES FOR CONSIDERATION:**

Does the Budget, Finance, and Audit Committee wish to join Staff’s recommendation to the Commission to:

1. Approve the execution of a contract change order for \$464,000 with Eastern Concrete Restoration to replace four (4) additional flat roofs at Cider Mill Apartments; and
2. Accept a bid from Vertex Roofing Contractors, Inc. of \$819,720 to replace the mansard roofs at Cider Mill Apartments and authorize the Executive Director to execute a contract to replace the mansard roofs?
3. Approve the full cost and funding of the flat roof and mansard roof replacement, including a 20% overall contingency, totaling \$1,540,464, to be funded from the Property’s replacement reserves?

**BUDGET IMPACT:**

- There is no adverse impact on HOC’s adopted FY 2023 operating budget.
- The source of funds for this capital improvement project is Cider Mill’s replacement reserves, which have a current balance of \$3.9 million.
- The total anticipated cost of up to \$1,540,464 (which includes the base cost of \$1,283,720 plus 20% contingency and \$256,744) was not included in the adopted FY 2023 capital budget as the scope of work and pricing were not available during the preparation of the budget; therefore, the capital budget for Cider Mill will be amended to reflect these expenditures.

**TIME FRAME:**

For discussion at the February 17, 2023 meeting of the Budget, Finance, and Audit Committee and formal action at the February 17, 2023 Special Meeting of the Commission.

**STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:**

Staff requests that the Budget, Finance, and Audit Committee join Staff’s recommendation to the Commission to:

1. Approve execution of a contract change order for \$464,000 with Eastern Concrete Restoration to replace four (4) additional flat roofs at Cider Mill Apartments;
2. Accept a bid from Vertex Roofing Contractors, Inc. of \$819,720 to replace the mansard roofs at Cider Mill Apartments and authorize the Executive Director to execute a contract to replace the mansard roofs; and
  - a. This request is subject to a final determination by the Executive Director that replacement is appropriate after receiving a final determination from HUD.
3. Approve the full cost and funding of the flat roof and mansard roof replacement, including a 20% overall contingency, totaling \$1,540,464, to be funded from the Property’s replacement reserves.