Revised: September 26, 2022

Housing Opportunities Commission
OF MONTGOMERY COUNTY

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

BUDGET, FINANCE AND AUDIT COMMITTEE

September 27, 2022
11:00 a.m.

Livestream: https://youtu.be/LaNa9VgpvXU

Approval of Minutes:

Title	Page #
1. **Minutes:** Approval of Budget, Finance and Audit Committee Minutes of August 26, 2022	3

Action/Discussion Items:

Title	Page #
1. **Fiscal Year 2022 Fourth Quarter Budget to Actual Statements**: Presentation of Fourth Quarter FY'22 Budget to Actual Statements	6
2. **Fiscal Year 2022 Fourth Quarter Unaudited Financial Statements:** Presentation of the Unaudited Financial Statements for the Fourth Quarter ended June 30, 2022	22
3. **Fiscal Year 2023 First Quarter Budget Amendment:** Presentation of the FY'23 First Quarter Budget Amendment	43
4. **Uncollectible Tenant Accounts Receivable:** Presentation of Request to Write-Off Uncollectible Tenant Accounts Receivable (April 1, 2022 – June 30, 2022)	49
5. **Extension of Existing Property Management Contracts:** Arcola Towers, Avondale Apartments, Barclay Apartments, Bauer Park Apartments, Camp Hill Square, Dale Drive, Fairfax Court, Manchester Manor Apartments, The Metropolitan, Pooks Hill Court, Residences on the Lane, Shady Grove Apartments, Southbridge, Spring Garden Apartments, Strathmore Court at White Flint, Tanglewood, The Willows, Timberlawn Crescent and Waverly House Apartments	55
6. **Extension of Existing Property Management Contracts – Development Corporations:**	
• Barclay Apartments Development Corporation	61
• Magruder's Discovery Development Corporation	63

Date Posted: September 27, 2022

Minutes

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY
10400 Detrick Avenue
Kensington, Maryland 20895
(240) 627-9425
Budget, Finance and Audit Committee Minutes

August 26, 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 Friday, August 26, 2022, with moderator functions occurring at 10400 Detrick Avenue, Kensington, Maryland beginning at 11:33 a.m. There was a livestream of the meeting held on YouTube, available for viewing here. Those in attendance were:

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

Also Attending

Chelsea Andrews, Executive Director	Paige Gentry, Deputy General Counsel
Timothy Goetzinger, Acting Chief Financial Officer	Terri Fowler, Budget Officer
Fred Swan	Olutomi Adebo
Zachary Marks	John Broullire
Nathan Bovelle	
IT Support	**Commission Support**
Aries "AJ" Cruz	Ian-Terrell Hawkins, Spec. Asst. to Exec. Dir.

The meeting was opened with a welcome and roll call of Commissioners who participate on the Committee, as well as the Executive Director Chelsea Andrews and various staff.

APPROVAL OF MINUTES

The minutes of June 29, 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. **County Fiscal Year 2024-2029 Capital Improvement Program Budget: Authorization to Submit County FY'24-29 Capital Improvement Program Budget**

Chelsea Andrews, Executive Director, provided an overview of the presentation, with an introduction of Timothy Goetzinger, Chief Development Funds Officer/Acting Chief Financial Officer, and Terri Fowler, Budget Officer, as presenters. Ms. Fowler, who provided the presentation to the Budget, Finance and Audit Committee, recommended approval to submit to the full Commission authorization to submit to the County FY'24-29 Capital Improvement Program Budget. Staff addressed a comment of made by Commissioner Merkowitz regarding the formatting of the memorandum. A motion was made by Commissioner Merkowitz to recommend to the full Board for approval, seconded by Commissioner Kelleher. 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 11:46 a.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 Terri Fowler Tomi Adebo	Division: Finance	Acting Chief Financial Officer Budget Officer Assistant Budget Officer
RE:	**Fiscal Year 2022 (FY'22) Fourth Quarter Budget to Actual Statements:** Presentation of Fourth Quarter FY'22 Budget to Actual Statement			
DATE:	September 27, 2022			

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

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

BUDGET/FISCAL IMPACT:
Please see Discussion section of the memo for the budget impact of recommended actions for FY'22.

TIME FRAME:
For informal discussion at the September 27, 2022, Budget, Finance & Audit Committee meeting. For formal Commission action at the October 5, 2022 meeting.

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

DISCUSSION – FOURTH QUARTER BUDGET TO ACTUAL STATEMENTS

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

HOC Overall (see Attachment A)

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

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

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

The Agency ended the year with a net cash surplus of $1,012,001, which equates to 0.34% of the total operating budget of $300,440,652 and 0.52% of the total adjusted operating budget of $193,825,320, which excludes Housing Assistance Payments ("HAP"). The primary causes were savings in various expense categories in the General Fund (see General Fund), which were partially offset by slightly lower income in the fund, coupled with lower unrestricted cash flow in some of the unrestricted Opportunity Housing Properties as a result of property performance (see Opportunity Housing Fund).

Explanations of Major Variances by Fund

The **General Fund** consists of the basic overhead costs for the Agency. This fund ended the quarter with a surplus of $418,420, which resulted in a positive variance of $2,642,265, when compared to the projected deficit of $2,223,845.

As of June 30, 2022, income in the General Fund was $311,782 lower than budgeted and expenses were $2,954,047 lower than budgeted. The FY'23 budget included a projected draw from the General Fund Operating Reserve ("GFOR") of $1,241,656 to balance the budget. As a result of year-end performance, the draw was not required. If this draw was excluded from the budget, income in the General Fund would have exceeded budget by $929,874. In addition, the Agency received higher than anticipated payments from properties utilizing the FHA Risk Sharing program of $768,100, which is reflected as income in the General Fund with a corresponding expense to restrict the income to the FHA Risk Sharing Reserve. The positive income variance was primarily the result of receiving additional Development Fee Income, the receipt of Federal Emergency Management Agency ("FEMA") reimbursements for COVID-19 related expenses, and fees received from tax credit properties based on the year-end cash flow distributions. These were partially offset by lower Commitment Fee income and draws from the Opportunity Housing Reserve Fund ("OHRF") for Real Estate personnel and predevelopment costs. Whereas Commitment Fee income is a one-time fee that is received at the time the transaction is financed, Development Fee income is many times received in phases depending on the achievement of certain milestones especially as it relates to transactions financed as a Low Income Housing Tax Credit ("LIHTC") Partnership. Development Fees for Stewartown Homes and West Side Shady Grove that had been budgeted in FY'21 were received in FY'22. In addition, unbudgeted Development Fees were received for Fenton Silver Spring, Alexander House, and Greenhills. The additional Development Fee income was partially offset by lower Commitment Fee income that was the result of timing changes in the capital development transactions for Hillandale Gateway and The Metropolitan. Both the anticipated Commitment and Development fees for the two transactions are now captured in the FY'23 Budget that will be presented to the Commission for adoption.

The positive expense variance was primarily the result of lapse in salary and benefits coupled with savings in legal and professional services, computer software, online information services, 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.

The Multifamily Bond Fund draw for FY'22 was reduced by the cumulative $133,516 of savings left in the fund at FY'21 year-end. As a result of savings in administrative salaries and benefits, legal, and financial services expenses, the fund ended the year with a positive expense variance of $210,064. After using the previous savings in the fund, this savings in expenses results in a year-end surplus of $210,064. Staff is recommending that the surplus of $210,064 be used to reduce the budgeted draw for FY'23 for the Multifamily Bond Fund.

The Single Family Bond Fund draw for FY'22 was reduced by the $82,613 of savings left in the fund at FY'21 year-end. As a result of savings in administrative salaries, benefits, legal costs, financial services expenses, and trustee fees the fund ended the year with a positive expense variance of $190,831. After using the previous savings in the fund, this savings in expenses results in a year-end surplus of $190,831. Staff is recommending that the surplus of $190,931 be used to reduce the budgeted draw for FY'23 for the Single Family Bond Fund.

The Opportunity Housing Fund

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

The first group includes properties that were budgeted to provide unrestricted net cash flow toward the Agency's FY'22 Operating Budget. This group ended the year with cash flow of $5,481,359 or $587,710 lower than projected.

- **Alexander House Dev Corp** ended the year with a deficit of ($376,774), which resulted in a negative cash flow variance of $46,514 when compared to the planned shortfall of ($330,260) as a result of lower tenant rents and higher concessions coupled with overages in utility and maintenance costs. These were partially offset by lower vacancy loss and savings in administrative and bad debt expenses. **Glenmont Crossing Dev Corp** experienced a negative cash flow variance of $102,611 primarily as a result of higher utilities that was slightly countered by savings in bad debt and maintenance expenses, as well as lower vacancy. The overage in utilities was largely due to the non-receipt of reimbursements from tenants for water usage. **Magruder's Discovery Dev Corp** experienced a negative cash flow variance of $139,071 mostly as a result of lower tenant income and higher vacancy coupled with overages in administrative, utility and maintenance expenses. The **Metropolitan Dev Corp** ended the year with a negative cash flow variance of $56,709 resulting from lower tenant income coupled with overages in utility cost that were partially offset by lower vacancy loss and a positive variance in non-dwelling rent fees as well as savings in administrative and tenant services, and insurance costs. The planned shortfall for **Metropolitan Affordable** was $53,887 less than anticipated resulting in a positive cash flow variance due to higher tenant rents and lower vacancy loss partially offset by overages in administrative and utility expenses. Cash flow at **Montgomery Arms Dev Corp** was $180,524 lower than anticipated primarily due to higher maintenance, utility and bad debt expenses coupled with lower gross tenant rents and higher concessions partially offset by lower vacancy loss. **Paddington Square Dev Corp** reported a negative variance of $17,152 due to higher utility, maintenance and insurance costs coupled with lower gross tenant rents and higher concessions that were almost entirely offset by lower bad debt and administrative expenses coupled with reimbursements from the County Contract for utility costs. Cash flow for **Pooks Hill High-Rise** was $68,210 lower than planned due to overages in most expense categories. Cash flow at **Scattered Site One Dev Corp** was $72,098 lower than anticipated due to higher bad debt, maintenance and utility costs coupled with higher vacancy loss that was partially offset by higher gross tenant rents. **Scattered Site Two Dev Corp** ended the year with a larger shortfall than was anticipated resulting in a negative cash flow variance of $18,352 as a result of higher than anticipated Housing Association ("HOA") Fees coupled with higher utility costs due to higher vacancy loss that was partially offset by slightly higher gross tenant rents and reimbursements from the County Contract for HOA fees. The planned deficit at **Sligo MPDU III Dev Corp** was $8,007 more than budget resulting in a negative cash flow variance based on overages in maintenance costs coupled with higher vacancy loss that was mostly offset by higher gross rents. **VPC One Dev Corp** experienced a positive cash flow variance of $20,435 due to lower vacancy loss and additional reimbursements from the County Contract for HOA fees coupled with savings in bad debt, insurance and tax costs that were partially offset by higher concessions and overages in maintenance expense and HOA Fees. **VPC Two Dev Corp** experienced overages in maintenance, administrative, and bad debt expenses coupled with lower gross rents that were mostly countered by lower vacancy loss coupled with savings in utility and insurance costs. The negative variance was offset by a reduction in the contribution to the Debt Service Reserve.

- The second group consists of properties whose cash flow will not be used for the Agency's FY'22 Operating Budget. Cash flow from this group of Development Corporation properties was $56,521 less than budgeted for the year. **MetroPointe** experienced a negative cash flow variance of $47,442 as a result of higher than anticipated administrative, COVID-19, and bad debt expenses coupled with lower gross rents that were partially offset by lower vacancy loss and higher parking income at the property. Cash flow at the **Oaks at Four Corners Dev Corp** was $79,015 higher than anticipated due to savings in administrative, tenant services, and maintenance expenses that were partially offset by slightly higher utility costs. The **RAD 6 Dev Corp** properties ended the year with a shortfall of ($404,059), which resulted in a negative cash flow variance of $88,094 when compared to the projected shortfall of ($315,965). Collectively, this resulted from overages in maintenance, administrative, and utility costs coupled with higher vacancy loss that was partially offset by higher gross rents and savings in bad debt expense. **Ken Gar** and **Parkway Woods** reported positive cash flow variances of $117,774 and $30,972, respectively due to higher gross tenant rents coupled with savings in bad debt expense. **Sandy Spring Meadow** ended the year with a positive cash flow of $29,068 resulting in a positive variance of $55,648 when compared to the budgeted deficit of ($26,580) primarily due to higher gross rents and lower vacancy loss coupled with lower bad debt and savings in administrative and utility costs that were partially offset by overages in maintenance expense. The planned deficit for **Seneca Ridge** was $190,608 more than anticipated due to overages in maintenance and utility expenses coupled with higher vacancies that were partially offset by higher gross rents and savings in administrative and insurance expenses. **Towne Center Place** ended the year with a negative cash flow of $11,309 primarily due to overages in maintenance and administrative costs that was partially offset by higher gross tenant rents and lower vacancy loss coupled with lower bad debt and utility expenses. **Washington Square** reported a negative cash flow variance of $90,571 primarily attributed to higher administrative, utility and maintenance 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'22 Operating Budget. This group ended the year with cash flow of $1,658,411 or $1,065,797 less than projected. Cash flow at **MPDU I (64)** was $116,033 higher than anticipated as a result of lower debt service payments, due to the payoff of the mortgage in March 2021 that was not incorporated into the budget, savings in administrative cost that was partially offset by overages in maintenance, and bad debt and utility expenses coupled with slightly higher vacancy loss. **Avondale Apartments** reported a negative cash flow variance of $85,198 primarily due to higher vacancy loss and concessions coupled with higher maintenance, utility, and administrative expenses that were partially offset by higher gross tenant rents. **Barclay Affordable** experienced a negative cash flow variance of $353,825 as a result of overages in utilities, maintenance, and administrative costs coupled with lower gross rents and higher vacancies. **Camp Hill Square** experienced a negative cash flow variance of $205,384 as a result of higher vacancy loss coupled with higher maintenance, bad debt, and administrative expenses that were partially offset by slightly higher gross rents and lower utility costs. **Chelsea Towers** experienced a positive cash flow variance of $105,914 due to lower debt service payments and savings in administrative staff costs and Housing Association ("HOA") Fees. **Elizabeth House Interim RAD** ended the year with a positive cash flow variance of $260,525 as a result of higher tenant income coupled with savings in administrative and maintenance expenses that were partially countered by overages in utility and security costs. At the time of the development of the FY22 budget, **Georgian Court Affordable**, the three **Manor** properties, and **Shady Grove Apartments** were budgeted with four months of operations; however, due to the delay in the conversion of the properties, which occurred in December 2021, the properties experienced an additional two months of operating income and expenses. The additional rental income at **Georgian Court** and **Shady Grove** exceeded the additional expenses resulting in positive variances at both properties. The three **Manor** properties **(Cloppers Mill, Colesville and Fair Hill Farm)** ended the year with negative variances due to higher vacancies to support the renovations coupled with overages in maintenance, administrative and utility expenses that when combined with the additional two months of debt service payments exceeded the additional two months of rental income. **Holiday Park** reported a negative cash flow variance of $62,702 primarily due to overages in maintenance and utility costs partially offset by lower bad debt and administrative expenses. **Jubilee Hermitage** experienced a negative cash flow variance of $25,284 largely due to the payment for utility bills from prior periods coupled with higher bad debt expense and vacancy loss. Cash flow for **Jubilee Woodedge** was $16,976 lower than projected mainly resulting from lower tenant income that was partially offset by savings in maintenance expense. **Manchester Manor** reported a deficit of ($118,956) at year-end resulting in a negative variance of $117,246 when compared to the projected deficit of ($1,710) due to overages in administrative, maintenance and security costs coupled with lower gross rents that were partially offset by savings in utility costs. **McHome** experienced a negative cash flow variance of $45,615 as a result of higher vacancy loss coupled with overages in administrative and utilities costs partially offset by savings in maintenance and bad debt expenses. Cash flow for **MHLP VII** was $54,859 lower than projected as a result of higher vacancy loss coupled with overages in administrative, utility and bad debt expenses partially offset by savings in maintenance cost. **MHLP VIII** experienced a negative variance of $48,243 due to lower gross rents and higher vacancies coupled with overages in maintenance, administrative, and utility costs partially offset by lower bad debt expense. Cash flow for **MHLP IX Pond Ridge** was $9,571 lower than budget as a result of higher vacancy loss coupled with small overages in utilities that was almost offset by savings in administrative, maintenance, bad debt and tax expenses. **MHLP IX Scattered Sites** experienced a negative cash flow variance of $186,698 mainly due to lower gross rents and higher vacancy loss coupled with overages in maintenance, administrative, utility and bad debt expenses that were countered by savings in real estate tax resulting from the state PILOT agreement that has been established for the property resulting in a savings in taxes. **MHLP X** experienced positive cash flow variance of $100,713 mainly due to savings in real estate tax resulting from the state PILOT agreement that has been established for the property coupled with savings in administrative, maintenance and utility expenses that were partially offset by greater than anticipated bad debt expense and vacancy loss. **Pooks Hill Mid-Rise** experienced a negative cash flow variance of $77,736 as a result of higher vacancy loss and concessions coupled with higher utility, COVID-19, security and bad debt expenses that were partially offset by higher gross rents coupled with a small savings in maintenance. **Strathmore Court** and **Strathmore Affordable** were refinanced and consolidated into one property effective June 2022. On a consolidated basis, the property experienced a negative cash flow variance of $145,469 (($127,831) + ($17,638)) as a result of overages in most expense categories coupled with lower gross rents that were partially offset by lower vacancy loss. **TPP LLC Pomander Court** experienced a negative cash flow variance of $23,411 primarily as a result of higher maintenance and utility expense coupled with slightly higher vacancy loss that was partially offset by higher gross rents coupled with savings in administrative expenses. Cash flow for **TPP LLC Timberlawn** was $105,377 lower than budget primarily as a result of overages in maintenance, utility, COVID-19, security and bad debt expenses that were partially offset by savings in administrative and tenant services expenses coupled with lower vacancy loss and higher tenant fee payments. **Westwood Towers** experienced a negative cash flow variance of $371,950 as a result of higher administrative, maintenance and security expenses coupled with higher concessions that were partially offset by lower vacancy loss and slightly higher gross rents, parking income, and tenant fee income as well as savings in utility costs. Cash flow at **The Willows** was $128,433 higher than anticipated due to higher gross rents coupled with savings in administrative, tenant services and insurance expenses that were partially offset by slightly higher vacancy loss coupled with overages in utility and maintenance expenses.

- The second group consists of properties whose cash flow will not be used for the Agency's FY'22 Operating Budget. Some of these properties have legal restrictions on the use of cash flow; others may have needs for the cash flow. Cash flow for this group of properties was $466,827 less than budgeted. The demolition of **The Ambassador** was completed in April of 2020. The property experienced expenses of $23,781 mainly driven by interest paid on the outstanding debt on the PNC Real Estate Line of Credit ("RELOC") and taxes. There are sufficient reserves at the property to cover the costs. **Battery Lane** was acquired in June of 2022. A FY'23 Budget Amendment has been prepared to incorporate the property into the FY'23 Agency Budget. **Bradley Crossing** ended the year with a negative variance of $456,798 as a result of higher vacancy loss coupled with overages in utility, maintenance and debt service expense partially offset by higher gross rents and tenant fee income coupled with savings in administrative, insurance and bad debt expenses. **Brooke Park** experienced a negative cash flow variance of $133,381, largely resulting from a delay in occupying the units post renovation. Cash flow at **Brookside Glen** was $226,106 lower than anticipated due to higher maintenance, bad debt, utility, and security expenses coupled with lower gross rents and higher concessions that were partially offset by savings in administrative costs. **Cider Mill** reported a positive cash flow variance of $307,983 due to lower vacancy loss and concessions coupled with higher gross tenant rents and reimbursements received for COVID-19 related expenses as well as lower bad debt expense partially offset by higher utility, maintenance and administrative expenses. **Dale Drive** ended the year with a shortfall of $18,403 resulting in a negative cash flow variance of $21,911 as a result of overages in utility, maintenance and security costs. **Diamond Square** ended the year with a negative cash flow variance of $152,615 primarily as a result of overages in maintenance, utilities, security contracts and bad debt expenses coupled with slightly lower gross rents. **Holly Hall Interim RAD**, which was vacated in November 2019 and therefore not budgeted, has continued to experience a small amount of expense for utilities, maintenance and solid waste tax expense of $22,329, which will be covered by unrestricted cash in the Opportunity Housing portfolio. **Paint Branch** experienced a negative cash flow variance of $30,341 due to higher maintenance costs and bad debt expense coupled with higher vacancy loss. **State Rental Combined** experienced a positive cash flow variance of $66,223 as a result of lower concessions and slightly higher gross tenant rents coupled with savings in administrative and insurance expenses that were countered by overages in maintenance and bad debt expenses. **Stewartown Affordable**, which converted to the tax credit portfolio on June 30, 2021, incurred additional operating costs in early FY'22 related to pre-conversion expenses that will be covered by funds in the old property.

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

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

- The Housing Choice Voucher Program ("HCVP") ended the year with a surplus of $2,188,535. The surplus was comprised of an administrative surplus of $2,588,354 countered by Housing Assistance Payment ("HAP") payments that exceeded HAP revenue by $399,819. The HAP shortfall will be covered by a draw from the HCVP reserve known as the Net Restricted Position ("NRP"), which includes funds received in prior years that were recognized but not used. The administrative surplus was the result of higher than anticipated administrative fee income that was partially offset by overages in administrative expenses to support the lease-up efforts. The higher administrative fee income was primarily the result of a higher proration factor that was changed to 84.78% and then further increased to 88%, compared to the budgeted rate of 83.832%, coupled with the administrative fee income received to support the emergency and COVID-19 vouchers received.

<u>Tax Credit Partnerships</u>

The Tax Credit Partnerships have a calendar year end.

<u>Budget Impact – FY'22</u>

- As explained in this memo, the Agency ended the year with a surplus of $1,012,001 primarily as a result of lower than anticipated expenses in the General Fund which were partially offset by slightly lower income in the fund coupled with lower unrestricted cash flow in some of the unrestricted Opportunity Housing Properties as a result of property performance.

- Staff recommends that surplus of $1,012,001 be restricted 50% or $506,00 the General Fund Operating Reserve ("GFOR") for future operational needs and 50% or $506,001 to the Opportunity Housing Property Reserve ("OHPR") to help replenish the reserve to fund the shortfalls for capital needs that can be expected during the FY'23 and FY'24 budget season.

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

Attachment E is a chart of the Capital Improvements Budget for FY'22. The chart is grouped in two sections – General Fund and Opportunity Housing properties. Several properties exceeded their budget due to unanticipated physical needs at the properties. For properties where sufficient reserves are available, they will be used to cover the overages. Several properties were dependent upon the Opportunity Housing Property Reserve ("OHPR") for FY '22. Total expenditures for the portfolio did not exceed the authorized amount of $533,820 allocated from the OHPR for FY'22. Capital budgets from projects with positive variances may be rolled forward as requested for projects that were planned for FY'22 but not completed.

Alexander House Dev Corp overspent its capital budget as a result of window and flooring replacement. **Avondale Apartments** exceeded the capital budget due to roof and emergency pipe replacement. **Brookside Glen**, **Camp Hill Square, MHLP IX Scattered Sites** and **Westwood Tower** have overspent their respective FY'22 capital budgets as a result of flooring/carpet and appliance replacement coupled with plumbing and kitchen work. **Battery Lane** was acquired in June of 2022. A FY'23 Budget Amendment has been prepared to incorporate the property into the FY'23 Agency Budget. **Fairfax Court** overspent its capital budget by a small amount as a result of unanticipated roof repair. **Jubilee Horizon Court** exceeded the capital budget due to Grounds/Landscaping and HVAC Contracts. **Ken Gar** overspent the capital budget due to work related to tree removal and the replacement of parking lot LED lamps. **Magruder's Discover Dev Corp** exceeded its capital budget as a result of higher plumbing contracts and appliance equipment replacements. **Manchester Manor** overspent the capital budget due to HVAC, elevator, appliance and flooring contracts. **MHLP VII** exceeded its capital budget by a nominal amount as a result of additional appliance, flooring HVAC and window replacements. **MHLP VIII** exceeded its capital budget as a result of appliance, flooring and window replacement. **MHLP IX - Pond Ridge** exceeded its capital budget as a result of appliance replacements for four vacant units as well as six occupied units requiring an appliance to be replaced. **MHLP X** overspent its capital budget due to flooring and appliance replacement. **MPDU I (64)** has overspent the FY'22 capital budget as a result of flooring/carpet and appliance replacement coupled with kitchen work. **Paint Branch** nominally exceeded its capital budget due to HVAC and appliance replacement. **Paddington Square Dev Corp** has exceeded its FY'22 capital budget as a result of flooring/carpet work. **Sligo MPDU III Dev Corp** overspent the capital budget due to higher HVAC

Contracts, appliance and flooring replacements. **State Rental** has exceeded its FY'22 capital budget as a result of flooring/carpet and appliance replacement coupled with plumbing and kitchen work. **Scattered Site One** and **Scattered Site Two** have overspent the capital budgets largely as a result of appliance equipment and flooring. **Seneca Ridge** exceeded its capital budget as a result of flooring and carpeting, HVAC and appliance replacements. **Stewartown Affordable,** which converted to the tax credit portfolio on June 30, 2021, experienced a small capital charge due to delayed billing for a charge related to flooring/carpeting work at the property prior to conversion. **Strathmore Court and Strathmore Court Affordable** exceeded their capital budgets as a result of swimming pool repairs, appliance and flooring replacements and elevator repairs. **VPC One Dev Corp** experienced unanticipated appliance and flooring replacements causing overages in the capital budget. **The Willows** overspent its capital budget due to plumbing.

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

FY 2022 Fourth Quarter Operating Budget to Actual Comparison

	Unrestricted Net Cash Flow (12 Months) Budget	Unrestricted Net Cash Flow (12 Months) Actual	Variance
General Fund			
General Fund	($2,223,845)	$418,420	$2,642,265
Administration of Multifamily and Single Family Fund			
Multifamily Fund	$0	$210,064	$210,064
Draw from / (Restrict to) Multifamily Bond Fund	$0	($210,064)	($210,064)
Single Family Fund	$0	$190,831	$190,831
Draw from / (Restrict to) Single Family Bond Fund	$0	($190,831)	($190,831)
Opportunity Housing Fund			
Opportunity Housing Properties	$2,724,208	$1,658,411	($1,065,797)
Restricted Opportunity Housing Properties with Deficits	$0	($92,963)	($92,963)
Restricted Development Corporations with Deficits	$0	($404,059)	($404,059)
Unrestricted Development Corporations with Deficits	($500,363)	($567,808)	($67,445)
OHRF			
OHRF Balance	$4,271,284	$4,003,996	($267,288)
Excess Cash Flow Restricted	($4,271,284)	($4,003,996)	$267,288
Draw from existing funds	$0	$0	$0
Net -OHRF	**$0**	**$0**	**$0**
SUBTOTAL - General Fund, Multifamily, Single Family, Opportunity Housing	**$0**	**$1,012,001**	**$1,012,001**

	Budget	Actual	Variance
Public Fund			
Public Housing Rental (1)	$0	($79,907)	($79,907)
Housing Choice Voucher Program HAP (2)	$2,889,672	($399,819)	($3,289,491)
Housing Choice Voucher Program Admin (3)	$244,928	$2,588,354	$2,343,426
Total -Public Fund	**$3,134,600**	**$2,108,628**	**($1,025,972)**
Public Fund - Reserves			
(1) Public Housing Rental - Draw from / Restrict to Program	$0	$79,907	$79,907
(2) Draw from / Restrict to HCV Program Cash Reserves	($2,889,672)	$399,819	$3,289,491
(3) Draw from / Restrict to HCV Program Excess Admin Fee	($244,928)	($2,588,354)	($2,343,426)
SUBTOTAL - Public Funds	**$0**	**$0**	**$0**

	Budget	Actual	Variance
TOTAL - All Funds	**$0**	**$1,012,001**	**$1,012,001**

FY 2022 Fourth Quarter Operating Budget to Actual Comparison

	Capital Expenses (12 Months) Budget	Capital Expenses (12 Months) Actual	Variance
General Fund			
880 Bonifant	$277,000	$54,710	$222,290
East Deer Park	$95,000	$4,778	$90,222
Kensington Office	$160,000	$65,000	$95,000
Information Technology	$844,580	$500,431	$344,149
Opportunity Housing Fund	$7,386,785	$6,250,606	$1,136,179
TOTAL - All Funds	**$8,763,365**	**$6,875,525**	**$1,665,550**

FY 2022 Fourth Quarter Operating Budget to Actual Comparison

Development Corp Properties - Net Cash Flow

	(12 Months) Net Cash Flow Budget	Variance Income	Variance Expense	(12 Months) Net Cash Flow Actual	Variance
Properties with unrestricted cash flow for FY21 operating budget					
Alexander House Dev Corp	($330,260)	($112,026)	$65,512	($376,774)	($46,514)
The Barclay Dev Corp	($95,126)	$8,314	($2,886)	($89,698)	$5,428
Glenmont Crossing Dev Corp	$398,896	$3,402	($106,013)	$296,285	($102,611)
Glenmont Westerly Dev Corp	$129,369	$35,694	($16,414)	$148,649	$19,280
Magruder's Discovery Dev Corp	$966,929	($82,345)	($56,726)	$827,858	($139,071)
The Metropolitan Dev Corp	$2,066,641	($40,402)	($16,307)	$2,009,932	($56,709)
Metropolitan Affordable	($504,827)	$74,225	($20,338)	($450,940)	$53,887
Montgomery Arms Dev Corp	$367,447	($29,794)	($150,730)	$186,923	($180,524)
MPDU II (59) Dev Corp	$357,718	$2,126	$20,382	$380,226	$22,508
Paddington Square Dev Corp	$645,383	$37,954	($55,106)	$628,231	($17,152)
Pooks Hill High-Rise Dev Corp	$474,563	$5,990	($74,200)	$406,353	($68,210)
Scattered Site One Dev Corp	$249,460	$93,033	($165,130)	$177,362	($72,098)
Scattered Site Two Dev Corp	($70,487)	($5,504)	($12,848)	($88,839)	($18,352)
Sligo MPDU III Dev Corp	($4,490)	$14,776	($22,784)	($12,497)	($8,007)
VPC One Dev Corp	$809,771	$105,562	($85,127)	$830,206	$20,435
VPC Two Dev Corp	$608,082	$165,203	($165,203)	$608,082	$0
Subtotal	**$6,069,069**	**$276,208**	**($863,918)**	**$5,481,359**	**($587,710)**
Properties with restricted cash flow (external and internal)					
MetroPointe Dev Corp	($194,421)	$48,844	($96,287)	($241,863)	($47,442)
Oaks at Four Corners Dev Corp	($28,557)	$9,341	$69,674	$50,458	$79,015
RAD 6 Dev Corp Total	**($315,965)**	**$157,290**	**($245,382)**	**($404,059)**	**($88,094)**
Ken Gar Dev Corp	($51,632)	$97,395	$20,378	$66,142	$117,774
Parkway Woods Dev Corp	$10,362	$19,709	$11,264	$41,334	$30,972
Sandy Spring Meadow Dev Corp	($26,580)	$20,919	$34,729	$29,068	$55,648
Seneca Ridge Dev Corp	($170,867)	($16,613)	($173,994)	($361,475)	($190,608)
Towne Centre Place Dev Corp	($44,804)	$32,621	($43,930)	($56,113)	($11,309)
Washington Square Dev Corp	($32,444)	$3,259	($93,829)	($123,015)	($90,571)
Subtotal	**($538,943)**	**$215,475**	**($271,995)**	**($595,464)**	**($56,521)**
TOTAL ALL PROPERTIES	**$5,530,126**	**$491,683**	**($1,135,913)**	**$4,885,895**	**($644,231)**

FY 2022 Fourth Quarter Operating Budget to Actual Comparison

For Opportunity Housing Properties - Net Cash Flow

	(12 Months) Net Cash Flow Budget	Variance Income	Variance Expense	(12 Months) Net Cash Flow Actual	Variance
Properties with unrestricted cash flow for FY22 operating budget					
MPDU I (64)	$59,140	($38,714)	$154,747	$175,173	$116,033
Avondale Apartments	$152,156	$2,583	($87,781)	$66,958	($85,198)
Barclay Affordable	$108,230	($109,605)	($244,220)	($245,595)	($353,825)
Camp Hill Square	$216,436	($106,220)	($99,164)	$11,052	($205,384)
Chelsea Towers	$1,021	$2,804	$103,110	$106,935	$105,914
Day Care at Lost Knife Road	($22,440)	$10,714	($10,942)	($22,668)	($228)
Elizabeth House Interim RAD	$118,824	$322,362	($61,838)	$379,349	$260,525
Fairfax Court	$63,495	$20,385	($80,784)	$3,096	($60,399)
Georgian Court Affordable	$108,992	$235,689	($153,573)	$191,108	$82,116
Holiday Park	$57,964	($7,270)	($55,431)	($4,738)	($62,702)
Jubilee Falling Creek	($21,830)	($2,852)	$9,219	($15,463)	$6,367
Jubilee Hermitage	($829)	($4,570)	($20,714)	($26,113)	($25,284)
Jubilee Horizon Court	($4,750)	($196)	$1,310	($3,636)	$1,114
Jubilee Woodedge	$5,166	($21,204)	$4,228	($11,810)	($16,976)
Manchester Manor	($1,710)	($38,598)	($78,648)	($118,956)	($117,246)
The Manor at Cloppers Mill	$33,627	$196,732	($200,024)	$30,335	($3,292)
The Manor at Colesville	$42,490	$178,728	($193,634)	$27,585	($14,905)
The Manor at Fair Hill Farm	$42,689	$205,458	($264,796)	($16,649)	($59,338)
McHome	$123,375	($54,626)	$9,012	$77,760	($45,615)
McKendree	$32,790	$1,067	$21,755	$55,612	$22,822
MHLP VII	$78,625	($39,644)	($15,215)	$23,766	($54,859)
MHLP VIII	$146,738	($78,351)	$30,109	$98,495	($48,243)
MHLP IX Pond Ridge	($84,930)	($73,875)	$64,304	($94,501)	($9,571)
MHLP IX Scattered Sites	($105,163)	($170,876)	($15,823)	($291,861)	($186,698)
MHLP X	($41,248)	($31,472)	$132,185	$59,465	$100,713
MPDU 2007 Phase II	$14,667	($588)	$11,387	$25,466	$10,799
Olney Sandy Spring Road	($7,695)	($1,462)	($139)	($9,296)	($1,601)
Pooks Hill Mid-Rise	$221,601	($16,375)	($61,361)	$143,865	($77,736)
Shady Grove Apts	$296,862	$378,946	($204,272)	$471,536	$174,674
Strathmore Court	$615,852	($271,526)	$143,695	$488,021	($127,831)
Strathmore Court Affordable	($518,949)	$276,200	($293,838)	($536,587)	($17,638)
TPP LLC Pomander Court	$69,915	$5,681	($29,092)	$46,504	($23,411)
TPP LLC Timberlawn	$605,488	$89,448	($194,825)	$500,111	($105,377)
Westwood Tower	$333,012	$146,345	($518,295)	($38,938)	($371,950)
The Willows	($15,403)	$176,871	($48,438)	$113,030	$128,433
Subtotal	**$2,724,208**	**$1,181,989**	**($2,247,786)**	**$1,658,411**	**($1,065,797)**
Properties with restricted cash flow (external and internal)					
The Ambassador	$0	$0	($23,781)	($23,781)	($23,781)
Battery lane	$0	$480,188	($229,961)	$250,227	$250,227
Bradley Crossing	$991,074	($519,057)	$62,259	$534,276	($456,798)
Brooke Park	$93,223	($141,226)	$7,845	($40,158)	($133,381)
Brookside Glen (The Glen)	$179,713	($41,369)	($184,737)	($46,393)	($226,106)
CDBG Units	$0	($1,031)	$1,031	$0	$0
Cider Mill Apartments	$10,415	$710,193	($402,210)	$318,398	$307,983
Dale Drive	$3,508	($101)	($21,811)	($18,403)	($21,911)
Diamond Square	$331,503	($12,020)	($140,595)	$178,888	($152,615)
Holly Hall Interim RAD	$0	$0	($22,329)	($22,329)	($22,329)
NCI Units	$0	($18,236)	$18,236	$0	$0
NSP Units	$0	($13,354)	$13,354	$0	$0
King Farm Village	$4,809	($120)	($935)	$3,754	($1,055)
Paint Branch	$75,311	($16,068)	($14,273)	$44,970	($30,341)
Southbridge	$23,620	$16,419	($8,886)	$31,153	$7,533
State Rental Combined	($187,297)	$50,813	$15,410	($121,074)	$66,223
Stewartown Affordable	$0	$732	($31,209)	($30,476)	($30,476)
Subtotal	**$1,525,879**	**$495,763**	**($962,592)**	**$1,059,052**	**($466,827)**
TOTAL ALL PROPERTIES	**$4,250,087**	**$1,677,752**	**($3,210,378)**	**$2,717,463**	**($1,532,624)**

Attachment C

FY 2022 Fourth Quarter Operating Budget to Actual Comparison

For HUD Funded Programs

	(12 Months) Budget	(12 Months) Actual	Variance
Public Housing Rental			
Revenue	$0	$532	$532
Expenses	$0	$80,439	($80,439)
Net Income	**$0**	**($79,907)**	**($79,907)**
Housing Choice Voucher Program			
HAP revenue	$109,505,004	$109,865,394	$360,390
HAP payments	$106,615,332	$110,265,213	$3,649,881
Net HAP	**$2,889,672**	**($399,819)**	**($3,289,491)**
Restrict to HAP Reserves	($2,889,672)		
Admin.fees & other inc.	$8,799,136	$11,481,718	$2,682,582
Admin. Expense	$8,554,208	$8,893,364	($339,156)
Net Administrative	**$244,928**	**$2,588,354**	**$2,343,426**
Restric to Admin Reserves	($244,928)		
Net Income	**$244,928**	**$2,188,535**	**($946,065)**

FY 2022 Fourth Quarter Operating Budget to Actual Comparison

For Public Housing Rental Programs - Net Cash Flow

	(12 Months) Net Cash Flow Budget	Variance Income	Variance Expense	(12 Months) Net Cash Flow Actual	Variance
Elizabeth House	$0	$532	($69,661)	($69,129)	($69,129)
Emory Grove	$0	$0	($11,027)	($11,027)	($11,027)
TOTAL ALL PROPERTIES	**$0**	**$532**	**($80,688)**	**($80,156)**	**($80,156)**

FY 2022 Fourth Quarter Operating Budget to Actual Comparison
For Capital Improvements

	(12 Months) Budget	(12 Months) Actual	Variance
General Fund			
880 Bonifant	$277,000	$54,710	$222,290
East Deer Park	$95,000	$4,778	$90,222
Kensington Office	$160,000	$65,000	$95,000
Information Technology	$844,580	$500,431	$344,149
Subtotal	**$1,376,580**	**$624,919**	**$751,661**
Opportunity Housing			
Alexander House Dev Corp	$36,196	$71,207	($35,011)
Avondale Apartments	$31,390	$60,307	($28,917)
The Barclay Dev Corp	$132,423	$78,873	$53,550
Barclay Affordable	$105,372	$88,883	$16,489
Battery Lane	$0	$762	($762)
Bradley Crossing	$80,323	$58,034	$22,289
Brookside Glen (The Glen)	$88,752	$150,731	($61,979)
Camp Hill Square	$48,312	$59,469	($11,157)
CDBG Units	$10,320	$0	$10,320
Chelsea Towers	$16,050	$11,149	$4,901
Cider Mill Apartments	$1,617,656	$1,075,733	$541,923
Day Care at 9845 Lost Knife Road	$6,000	$0	$6,000
Dale Drive	$8,916	$5,253	$3,663
Diamond Square	$635,524	$7,926	$627,598
Elizabeth House Interim RAD	$5,950	$253	$5,697
Fairfax Court	$49,596	$51,497	($1,901)
Georgian Court Affordable	$3,420	$15,358	($11,938)
Glenmont Crossing Dev Corp	$368,845	$107,431	$261,414
Glenmont Westerly Dev Corp	$150,924	$82,874	$68,050
Holiday Park	$19,983	$8,814	$11,169
Jubilee Falling Creek	$9,650	$0	$9,650
Jubilee Hermitage	$8,600	$2,497	$6,103
Jubilee Horizon Court	$9,219	$15,369	($6,150)
Jubilee Woodedge	$8,560	$1,899	$6,661
Ken Gar Dev Corp	$15,271	$19,855	($4,584)
King Farm Village	$2,300	$0	$2,300
Magruder's Discovery Dev Corp	$69,147	$92,403	($23,256)
Manchester Manor	$31,092	$52,281	($21,189)
Manor at Cloppers Mill	$25,040	$60,770	($35,730)
Manor at Colesville	$15,740	$31,130	($15,390)
Manor at Fair Hill Farm	$40,300	$203,369	($163,069)
McHome	$74,500	$44,698	$29,802
McKendree	$31,250	$23,506	$7,744
MetroPointe Dev Corp	$673,671	$51,069	$622,602
The Metropolitan Dev Corp	$62,728	$50,248	$12,480
Metropolitan Affordable	$26,888	$17,677	$9,211
Montgomery Arms Dev Corp	$84,017	$75,931	$8,086
MHLP VII	$43,346	$45,934	($2,588)
MHLP VIII	$49,000	$63,359	($14,359)
MHLP IX - Pond Ridge	$71,034	$125,637	($54,603)
MHLP IX - Scattered Sites	$76,250	$149,009	($72,759)
MHLP X	$93,600	$137,125	($43,525)
MPDU 2007 Phase II	$10,296	$6,796	$3,500
617 Olney Sandy Spring Road	$2,268	$0	$2,268
MPDU I (64)	$64,604	$98,233	($33,629)
MPDU II (59) Dev Corp	$82,670	$74,536	$8,134
Oaks at Four Corners Dev Corp	$183,826	$105,457	$78,369
NCI Units	$49,920	$22,620	$27,300
NSP Units	$9,558	$3,571	$5,987
Paddington Square Dev Corp	$101,356	$118,840	($17,484)
Paint Branch	$7,796	$6,975	$821
Parkway Woods Dev Corp	$26,316	$19,081	$7,235
Pooks Hill High-Rise Dev Corp	$56,204	$25,603	$30,601
Pooks Hill Mid-Rise	$49,904	$41,561	$8,343
Sandy Spring Meadow Dev Corp	$15,352	$13,226	$2,126
Scattered Site One Dev Corp	$211,150	$286,100	($74,950)
Scattered Site Two Dev Corp	$47,000	$88,433	($41,433)
Seneca Ridge Dev Corp	$51,204	$74,779	($23,575)
Shady Grove Apts	$12,734	$10,535	$2,199
Sligo MPDU III Dev Corp	$23,550	$34,801	($11,251)
Southbridge	$28,176	$6,865	$21,311
State Rental Combined	$201,350	$361,758	($160,408)
Stewartown Affordable	$0	$1,149	($1,149)
Strathmore Court	$163,280	$187,025	($23,745)
Strathmore Court Affordable	$88,058	$148,013	($59,955)
Towne Centre Place Dev Corp	$15,964	$10,490	$5,474
TPP LLC Pomander Court	$23,222	$4,919	$18,303
TPP LLC Timberlawn	$85,656	$42,010	$43,646
VPC One Dev Corp	$210,400	$287,795	($77,395)
VPC Two Dev Corp	$191,400	$185,938	$5,462
Washington Square Dev Corp	$56,236	$44,127	$12,109
Westwood Tower	$196,800	$357,545	($160,745)
The Willows	$183,380	$381,030	($197,650)
Subtotal	**$7,386,785**	**$6,250,606**	**$1,136,179**
TOTAL	**$8,763,365**	**$6,875,525**	**$1,887,840**

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, CDFO and 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 2022 (FY'22) Fourth Quarter Un-Audited Financial Statements:**
Presentation of the Un-Audited Financial Statements for the Fourth Quarter Ended June 30, 2022

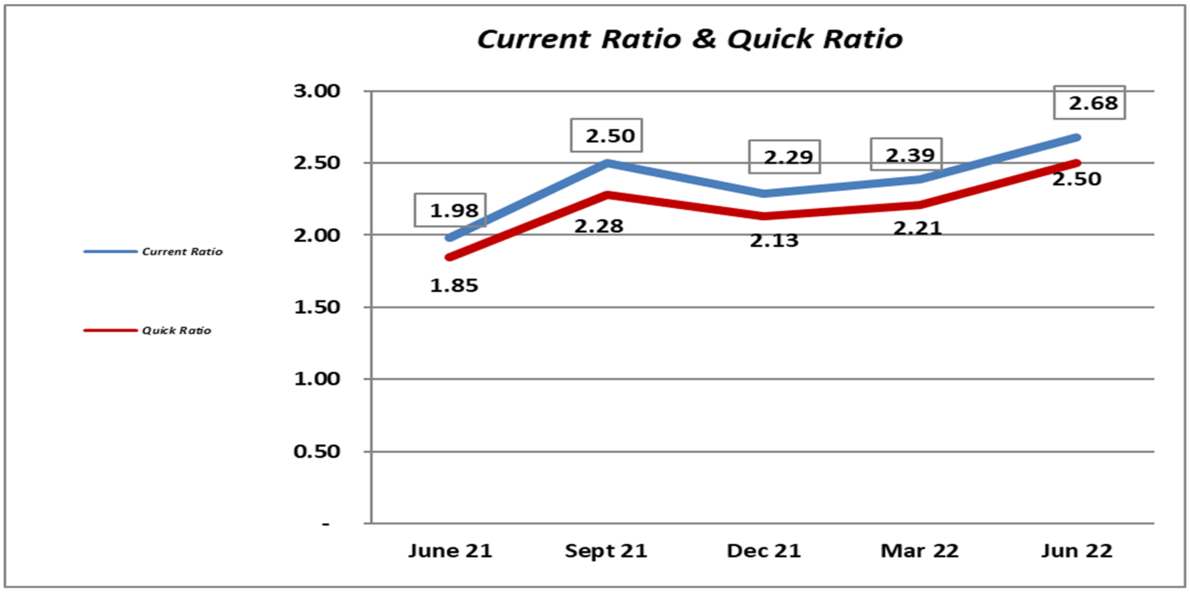
DATE: September 27, 2022

Attached please find the un-audited consolidated financial statements for the Housing Opportunities Commission of Montgomery County ("HOC" or "Commission") for the fourth quarter ended June 30, 2022.

Financial Highlights:

- The Commission's net position increased by $50.8 million or 22% primarily due to the gains on the sale of Shady Grove Apartments, Georgian Court Apartments and the three Manor Properties (The Manor at Colesville LLC, The Manor at Cloppers Mill LLC and The Manor at Fair Hill Farm LLC) to their respective new special purpose owner entities, partially offset by a net loss of $18.3 million for FY'22.

- The Commission's current ratio (ratio of current assets to current liabilities) increased from 1.98 in June 2021 to 2.68 in June 2022. The quick ratio (the ratio is an indicator of liquidity, reflecting current assets that can be converted to cash within 90 days) also increased from 1.85 in June 2021 to 2.50 in June 2022. The increase is mainly driven by an increase in the OHRF current assets attributed to the proceeds from the sale of Shady Grove Apartments, Georgian Court Apartments, and the three Manor Properties, and partly offset by additional bond draws for HOC at Westside Shady Grove LLC, HOC at Stewartown LLC, and Bauer Park Apartments LP. Furthermore, the current liabilities decreased largely due to a decrease in the Multifamily Bond Fund undrawn proceeds payable.



- The Commission's total assets excluding the deferred outflows of resources increased by \$148 million or 7.93% since June 30, 2021. This is largely due to an increase in mortgage and construction loans receivable, unrestricted cash and cash equivalents, partially offset by a decrease in cash for current bonds payable and net capital assets.

- The overall net increase in total mortgage and construction loans receivable is attributed to the Multifamily Bond Fund mortgage receivables on the Multifamily Housing Development Bonds ("MHDB") 2021 Series C&D bond issue for HOC Willow Manor LLC, HOC at Georgian Court LLC and HOC at Shady Grove LLC, and the Housing Production Fund ("HPF") Series 2021 Limited Obligation Bonds. Additionally, the Opportunity Housing Fund also increased mainly due to the Seller Notes provided for these same real estate transactions. The increase is partially offset by a decrease in the Single Family Bond Fund due to 56 mortgage loan payoffs and prepayments as well as the scheduled principal amortization under both the Single Family Bond Fund and Multifamily Bond Fund.

- The increase in unrestricted cash and cash equivalents is mainly driven by the receipt of excess settlement proceeds from the Shady Grove and Georgian Court real estate transactions as well as the development fees and commitment fees from HOC at Willow Manor LLC, Alexander House LP, HOC at Shady Grove LLC, HOC at Georgian Court LLC, 900 Thayer LP and HOC at Westside Shady Grove LLC. This increase is partly reduced by the repayment of the Bradley Crossing County loans, additional draws for Hillandale Gateway predevelopment expenses from the OHRF, the acquisition of the Battery Lane properties, and the timing of the reimbursements of capital expenses from properties under construction.

- The decrease in net capital assets is primarily attributed to the sale of Shady Grove Apartments, Georgian Court Apartments, and the three Manor Properties as well as the normal depreciation of assets for the fiscal year, partially offset by the purchase of several multifamily properties at Avondale ("HOC at Avondale LLC") and Battery Lane ("HOC at Battery Lane LLC") in Bethesda.

- The Multifamily Bond Fund outstanding bonds payable increased due to the issuance of MHDB Series C&D totaling $111.4 million for HOC at Willow Manor LLC, HOC at Shady Grove LLC and HOC at Georgian Court LLC. The HPF Series 2021 Limited Obligation Bonds was also issued for $50 million that will provide construction bridge financing for residential rental developments in the HOC's pipeline.

- The Multifamily Bond Fund redeemed and retired bonds for $14.9 million under the Multifamily Housing Development Bonds (1996 Indenture), $11.3 million under the Multifamily Housing Bonds (2009 Indenture), $3 million under the Stand Alone Bond 1998 Issue and $0.3 million under the Multifamily Housing Bonds (1984 Indenture).

- The Single Family Bond Fund outstanding bonds payable increased due to the issuance of Mortgage Revenue Bonds ("SFMRB") 2022 Series ABCD totaling $31.6 million.

- The Single Family Bond Fund redeemed and retired bonds for $27.4 million under the 1979 Indenture, $20.6 million under the 2009 Indenture and $9 million under the 2019 Indenture.

- The amount of U.S. Department of Housing and Urban Development ("HUD") Housing Choice Voucher Program, Housing Assistance Revenue received by the Commission increased by $7.4% from $115 million in FY'21 to $123.6 million in FY'22.

<u>Overall Agency Net Income (Loss)</u>

The Commission has a net income of $50.8 million for the fiscal year ending June 30, 2022, compared to a net income of $21 million for the same period last year. However, after adjusting the net income for the recording of capital contributions, unrealized loss on investments, gain on sale of assets and real estate equity transfer in, HOC ended the fiscal year with a net loss of $3.2 million as compared to a net loss of $5.1 million for the same period last fiscal year.

		FY 2022		FY 2021
Net Income (Loss)	$	50,803,186	$	20,971,002
Less:				
Capital Contributions		324,475		(15,185,752)
Unrealized (Gain)/Loss on Investments		15,055,059		4,470,524
Gain/(Loss) on sale of assets-Non-operating		(69,386,118)		(15,150,844)
Real estate equity transfer In /(out)		-		(166,727)
Adjusted Net Income (Loss)	$	(3,203,398)	$	(5,061,797)
Amount of Increase (Decrease)	$	1,858,399		

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

Capital contributions in FY'21 represent contributions to the OHRF from the Bauer Park Apartments real estate transaction. The (Gains)/Losses on sale of assets in FY'21 includes the net gain from the sale of Stewartown and Holly Hall site.

Major contributors to HOC's adjusted net loss of $3.2 million as of fiscal year ending June 30, 2022 are as follows:

	FY 2022 (in millions)		FY 2021 (in millions)		Variance (in millions)	
Housing Assistance Payments (HAP) Income	$	123.6	$	115.1	$	8.5
Other Federal/State & County Grants		19.4		17.5		1.9
Investment Income		11.5		7.4		4.1
Interest on Mortgage and Construction Loans Receivable Income		7.1		6.3		0.8
Dwelling Rental Income		102.5		99.3		3.2
HAP Expense		(125.8)		(120.3)		(5.5)
Administration Expense		(46.6)		(44.7)		(1.9)
Maintenance Expense		(28.2)		(24.1)		(4.1)
Utilities Expense		(7.4)		(7.1)		(0.3)
Fringe Benefits		(22.4)		(16.2)		(6.2)
Interest Expense		(38.8)		(36.4)		(2.4)
Depreciation and amortization		(21.2)		(20.8)		(0.4)
Other Income Net of Other Expenses		23.2		18.8		4.4
Adjusted Net Income (Loss)	$	(3.2)	$	(5.1)	$	1.9

The Housing Assistance Payments (HAP) – revenue increase under the HCV Main Program as well as the incoming Portables in FY'2022 compared to FY2021. The lower HAP revenue in the Main Program in FY'21 is mainly attributed to an offset of the CY'19 and CY'20 excess HAP revenue against the HUD funding in FY'21. These excess funds were transitioned to HUD-held Reserve, which will be available to the agency when needed. The increase in HAP revenue is partly offset by a decrease in the earned HAP revenue under the COVID-19 HCV Main Program. The increase in HAP expense is due to an increase in leasing and leasing costs within HCV Vouchers, and Non-Elderly Persons with Disabilities payments partly offset by a decrease in the COVID-19 HCV Main Program.

The increase in the Other Federal/State/County grants is largely due to new Emergency Housing Vouchers, County Main Program, Capital Improvement Program ("CIP"), Fatherhood Initiative Program and Community Choice Homes Initiative Program, partially offset by a decrease in earned revenue from COVID-19 grant.

The increase in the investment income is attributed to income earned from the investments of bond proceeds not yet drawn within the Multifamily Bond Fund mainly the HPF 2021 and MHDB 2021 Series ABCD. This increase is partially reduced by a decrease in the Single Family Bond Fund due to a decrease in Mortgage-Backed Securities ("MBS") purchases and lower interest rates.

The increase in dwelling rental income is primarily driven by Bradley Crossing, LLC ("Bradley Crossing"), which was acquired in June 2021. HOC at Battery Lane LLC, Cider Mill Apartments, VPC Two Corporation and Alexander House Development Corp. also contributed to higher rental income. This increase is partly reduced by the sale of the three Manor properties, Stewartown Homes (MV Affordable Housing Associates LP), Georgian Court Apartments, and Shady Grove Apartments. The Bad Debt expense in the Opportunity Housing portfolio for FY 2022 (July 2021 to June 2022) amounts to about $2.6 million. As of June 30, 2022, the tenant receivable balance has increased by $1,873,372 from June 30, 2021, totaling $7,796,970. Staff does anticipate that a portion of this amount will result in additional allowances and the potential for additional allowances to be set up in subsequent months to reflect the continuation of non-payments during the COVID-19 pandemic.

The increase in administrative expense is largely driven by the addition of Bradley Crossing and Battery Lane expenses, legal services, and miscellaneous operating expenses of Westwood Tower. The General Fund administrative expenses also increased due primarily to expenses on the on-line information services, consulting and other operating professional services and administrative salaries. Public Fund expenses increased as well mainly due to administrative salaries, tenant services, incentives to Landlords as token of appreciation for COVID partnership with HOC, Fatherhood Initiative Program tuition assistance, Housing Choice Voucher inspections services, and other operating services contract, partly offset by a decrease in tenant housing assistance.

The increase in maintenance expense is mainly attributed to the addition of the maintenance expenses at Bradley Crossing as well as an increase in maintenance contracts and non-operating capital expenses in several opportunity housing properties. The maintenance contracts increased mainly due to VPC One and VPC Two, Cider Mill, The Willows at Gaithersburg, Seneca Ridge, Timberlawn, Brookside Glen and Barclay LP, partly offset by decrease at The Willow Manor at Colesville, Shady Grove LP and Stewartown. The non-operating capital expenditures increased due primarily to Willows at Gaithersburg, The Willow Manor at Fair Hill Farm, VPC One, Strathmore LP, and Brookside Glen partly reduced by a decrease at Shady Grove LP and Cider Mill Apartments. The General Fund also contributed to the increase largely attributed to the payments of software licenses and support services.

The increase in fringe benefits is largely due to the changes in the Commission's proportionate share of the Net Pension Liability and Other Post-Employment Benefits Liability as of June 30, 2021, provided by the County for FY'22 financial reporting.

The increase in interest expense is mainly due to new bond issuance within the Multifamily Bond Fund (MHDB 2021 Series ABCD and HPF Series 2021), partially offset by a decrease in the Single Family bonds payable due to scheduled and early redemptions.

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

Adjusted Operating Revenue

The revenues from operations, when adjusted for HAP income and unrealized gains/(loss) on investments, increased by $14.7 million for fiscal year ending June 30, 2022, when compared to fiscal year ending June 30, 2021.

	FY 2022	FY 2021
Total Operating Revenue	$ 279,141,239	$ 266,544,478
Less:		
Housing Assistance Revenue	(123,629,432)	(115,115,799)
Unrealized (Gain)/Loss on Investments	15,055,059	4,470,524
Adjusted Total Operating Revenue	$ 170,566,866	$ 155,899,203
Amount of Increase (Decrease)	$ 14,667,663	

All of the income categories contributed to the increase in FY'22 with the investment income, management fees and dwelling rental income as the major contributors and accounted for approximately 74% of the increase in the adjusted operating revenue.

Adjusted Operating Expenses

The operating expenses, when adjusted for HAP expense, increased by $17.4 million for the fiscal year ending June 30, 2022, when compared to the same period last fiscal year.

		FY 2022		FY 2021
Total Operating Expenses	$	302,115,260	$	279,179,603
Less:				
Housing Assistance Payments (HAP)		(125,824,235)		(120,292,490)
Adjusted Total Operating Expenses	$	176,291,025	$	158,887,113
Amount of Increase (Decrease)	$	17,403,912		

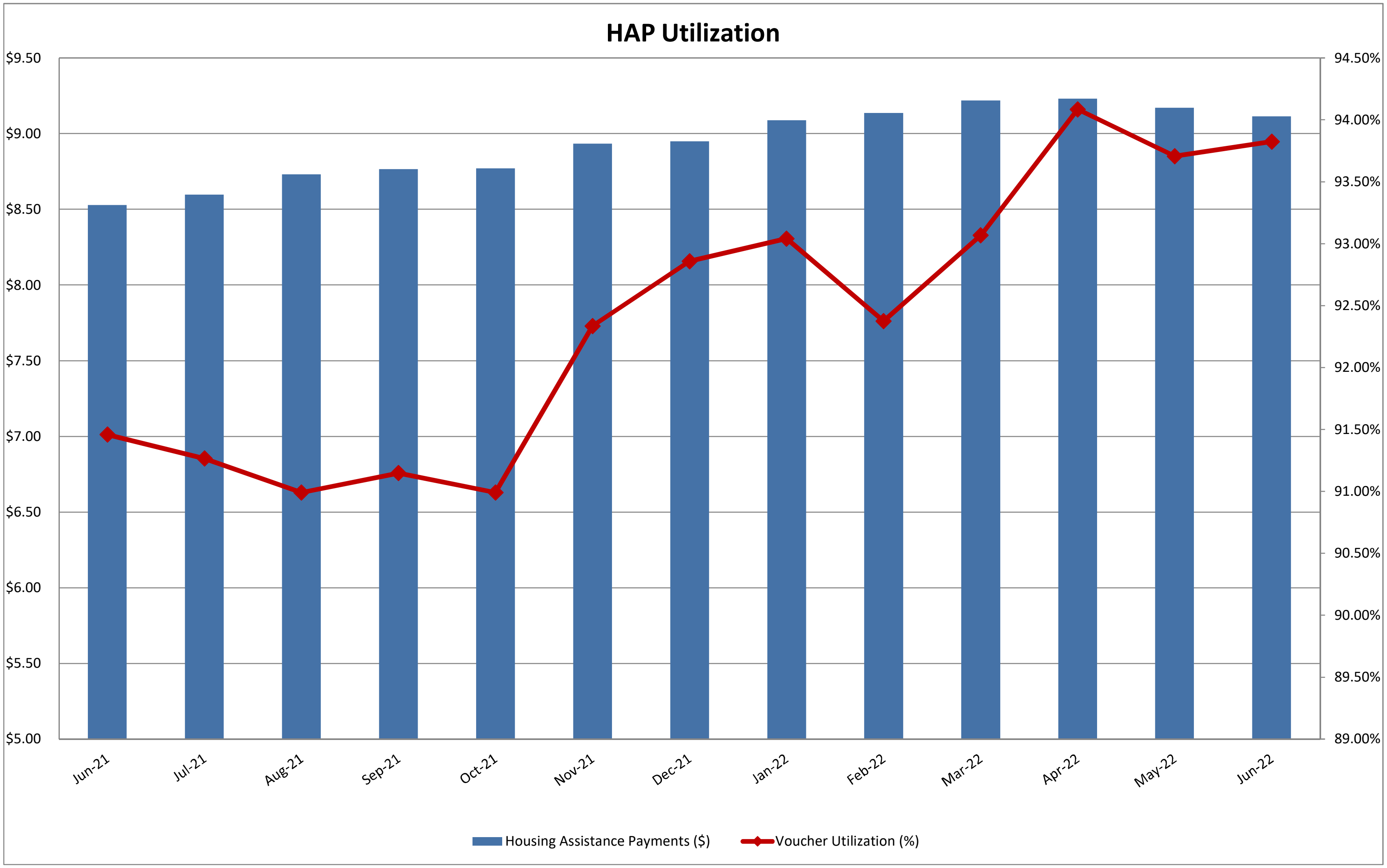
All of the expense groups contributed to the increase in the total adjusted operating expenses with fringe benefits on top of the list due to the annual year-end Net Pension OPEB Liability adjustments, followed by maintenance and interest expense.

Non-operating Revenues (Expenses)

The non-operating revenues net of non-operating expenses totaled $74.1 million for the fiscal year ending June 30, 2022, as compared to $18.3 million for the same period last year. However, after adjusting for the gain on sale of assets from Shady Grove Apartments, Georgian Court Apartments, and the three Manor Properties in FY'22 and the gain on sale of Stewartown Homes and Holly Hall in FY'21, the net non-operating revenue increased by $1.6 million as compared to the same period last year. The increase in non-operating revenue was due to increase in investment income.

		FY 2022		FY 2021
Total Non-Operating Revenues (Expenses)	$	74,101,681	$	18,253,648
Less:				
Gain/(Loss) on sale of assets-Non-operating		(69,386,118)		(15,150,844)
Adjusted Total Non-Operating Revenues (Expenses)	$	4,715,563	$	3,102,804
Amount of Increase (Decrease)	$	1,612,759		

	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22
Housing Assistance Payments ($)	$8,529,026	$8,597,176	$8,730,402	$8,765,958	$8,769,803	$8,934,438	$8,948,332	$9,088,312	$9,136,820	$9,218,962	$9,230,182	$9,171,244	$9,113,356
Voucher Utilization (%)	91.46%	91.27%	90.99%	91.15%	90.99%	92.34%	92.86%	93.04%	92.37%	93.07%	94.09%	93.71%	93.82%
UNITS under LEASE	7,003	6,990	6,969	6,981	6,969	7,072	7,112	7,126	7,075	7,128	7,206	7,177	7,186
HUD Authorized BASE LINE	7,657	7,659	7,659	7,659	7,659	7,659	7,659	7,659	7,659	7,659	7,659	7,659	7,659



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

	Note Num.	6/30/2022	6/30/2021	Dollar Variance	Percentage Variance
Assets and Deferred Outflows					
Current Assets					
Unrestricted:					
Cash and cash equivalents	-1.a.-	$ 141,338,500	$ 114,255,018	$ 27,083,482	23.70%
Interfund receivable (payable)		-	-	-	
Advances to component units	-1.b.-	4,066,223	2,292,242	1,773,981	77.39%
Accounts receivable and other assets	-1.c.-	27,678,264	29,193,066	(1,514,802)	(5.19%)
Accrued interest receivable	-1.d.-	14,093,803	10,229,505	3,864,298	37.78%
Mortgage and construction loans receivable - current	-1.e.-	13,157,945	8,404,989	4,752,956	56.55%
Total unrestricted current assets		**200,334,735**	**164,374,820**	**35,959,915**	21.88%
Restricted cash and cash equivalents and investments:					
Restricted cash and cash equivalents	-1.f.-	225,811,223	223,822,777	1,988,446	0.89%
Restricted short-term investments	-1.g.-	3,596,993	6,590,395	(2,993,402)	(45.42%)
Cash for current bonds payable	-1.h.-	40,703,219	62,991,620	(22,288,401)	(35.38%)
Customer deposits		5,608,621	5,165,927	442,694	8.57%
Total restricted cash and cash equivalents and investments		**275,720,056**	**298,570,719**	**(22,850,663)**	(7.65%)
Total current assets		**476,054,791**	**462,945,539**	**13,109,252**	2.83%
Noncurrent Assets					
Restricted long-term investments	-1.i.-	169,381,806	167,277,397	2,104,409	1.26%
Mortgage and construction loans receivable	-1.e.-	651,730,313	511,248,638	140,481,675	27.48%
Capital assets, net of depreciation	-1.j.-	681,145,228	691,208,857	(10,063,629)	(1.46%)
Investment in Component Units	-1.k.-	35,860,437	33,441,589	2,418,848	7.23%
Total noncurrent assets		**1,538,117,785**	**1,403,176,481**	**134,941,304**	9.62%
Total Assets		**2,014,172,576**	**1,866,122,020**	**148,050,556**	7.93%
Deferred Outflows of Resources					
Derivative Instrument	-1.l.-	21,270,199	21,902,486	(632,287)	(2.89%)
Fair value of hedging derivatives	-1.l.-	(465,894)	9,606,640	(10,072,534)	(104.85%)
Employer -Related Pension Activities	-1.l.-	2,131,760	43,170,695	(41,038,935)	(95.06%)
Employer -Related OPEB Activities	-1.l.-	6,401,277	6,329,917	71,360	1.13%
Total Assets and Deferred Outflows		**$ 2,043,509,918**	**$ 1,947,131,758**	**$ 96,378,160**	4.95%
Liabilities and Net Position					
Current Liabilities					
Accounts payable and accrued liabilities	-1.m.-	$ 28,684,336	$ 22,879,628	$ 5,804,708	25.37%
Undrawn Mortgage Proceeds Payable	-1.n.-	68,050,006	103,957,909	$ (35,907,903)	(34.54%)
Interfund Payable		-	-	-	
Accrued interest payable		9,389,990	9,753,133	(363,143)	(3.72%)
Loans payable to Montgomery County - current	-1.o.-	241,243	445,585	(204,342)	(45.86%)
Mortgage notes and loans payable - current	-1.p.-	26,061,109	26,284,984	(223,875)	(0.85%)
Total current unrestricted liabilities		**132,426,685**	**163,321,239**	**(30,894,554)**	(18.92%)
Current Liabilities payable from restricted assets:					
Customer deposit payable		4,575,032	4,240,817	334,215	7.88%
Accrued interest payable	-1.q.-	8,595,765	7,896,462	699,303	8.86%
Bonds payable - current	-1.r.-	31,988,733	55,095,158	(23,106,426)	(41.94%)
Total current liabilities payable from restricted assets		**45,159,529**	**67,232,437**	**(22,072,908)**	(32.83%)
Total current liabilities		**177,586,214**	**230,553,676**	**(52,967,462)**	(22.97%)
Noncurrent Liabilities					
Bonds payable	-1.r.-	741,557,112	612,121,337	129,435,775	21.15%
Mortgage notes and loans payable	-1.p.-	627,057,131	608,388,948	18,668,183	3.07%
Loans payable to Montgomery County	-1.o.-	87,549,922	104,585,051	(17,035,129)	(16.29%)
Unearned Revenue	-1.s.-	34,678,666	28,374,987	6,303,679	22.22%
Escrow and other deposits		19,106,708	17,098,349	2,008,359	11.75%
Net Pension liability		32,216,643	21,355,806	10,860,837	50.86%
Net OPEB liability		16,573,820	19,893,437	(3,319,617)	(16.69%)
Derivative investment - hedging		(465,894)	9,606,640	(10,072,534)	(104.85%)
Total noncurrent liabilities		**1,558,274,109**	**1,421,424,555**	**136,849,554**	9.63%
Total Liabilities		**1,735,860,323**	**1,651,978,231**	**83,882,092**	5.08%
Deferred Inflows of Resources					
Unamortized Pension Net Difference	-1.l.-	5,664,007	44,832,002	(39,167,995)	(87.37%)
Unamortized OPEB Net Difference	-1.l.-	15,320,514	14,459,638	860,876	5.95%
Total Deferred Inflows of Resources		20,984,522	59,291,640	(38,307,118)	(64.61%)
Net Position					
Net investment in capital assets		(133,461,604)	(131,205,426)	(2,256,178)	1.72%
Restricted		107,593,103	114,389,842	(6,796,739)	(5.94%)
Unrestricted		312,533,573	252,677,471	59,856,102	23.69%
Total Net Position		**286,665,073**	**235,861,887**	**50,803,186**	21.54%
Total Liabilities and Net Position		**$ 2,043,509,918**	**$ 1,947,131,758**	**$ 96,378,160**	4.95%

Housing Opportunities Commission of Montgomery County, Maryland
Combined Statements of Revenues and Expenses
As of June 30, 2022 and June 30, 2021

	Note Num.	FY22	FY21	Dollar Variance	Percentage Variance
Operating Revenues					
Dwelling rental	-1.aa.-	$ 102,458,229	$ 99,291,398	$ 3,166,831	3.19%
Investment income	-1.bb.-	11,460,498	7,401,324	4,059,174	54.84%
Unrealized gains (losses) on investment	-1.cc.-	(15,055,059)	(4,470,524)	(10,584,535)	236.76%
Interest on mortgage and construction loans receivable	-1.dd.-	7,065,206	6,257,481	807,725	12.91%
Management fees and other income	-1.ee.-	19,562,799	15,945,903	3,616,896	22.68%
U.S. Department of Housing and Urban Development grants:					
Housing Assistance Payments (HAP)	-1.ff.-	123,629,432	115,115,799	8,513,633	7.40%
HAP administrative fees	-1.gg.-	10,634,727	9,542,757	1,091,970	11.44%
Other grants	-1.hh.-	6,570,845	5,537,664	1,033,181	18.66%
State and County grants	-1.ii.-	12,814,562	11,922,676	891,886	7.48%
Total operating revenues		**279,141,239**	**266,544,478**	**12,596,761**	4.73%
Operating Expenses					
Housing Assistance Payments (HAP)	-1.ff.-	125,824,235	120,292,490	(5,531,745)	(4.60%)
Administration	-1.jj.-	46,619,926	44,668,915	(1,951,011)	(4.37%)
Maintenance	-1.kk.-	28,219,692	24,127,944	(4,091,748)	(16.96%)
Depreciation and amortization		21,156,414	20,766,087	(390,327)	(1.88%)
Utilities		7,418,333	7,068,692	(349,641)	(4.95%)
Fringe benefits	-1.ll.-	22,432,327	16,231,881	(6,200,446)	(38.20%)
Interest expense	-1.mm.-	35,952,637	32,559,770	(3,392,867)	(10.42%)
Other expense	-1.nn.-	14,491,695	13,463,824	(1,027,871)	(7.63%)
Total operating expenses		**302,115,260**	**279,179,603**	**(22,935,657)**	(8.22%)
Operating income (loss)		**(22,974,021)**	**(12,635,125)**	**(10,338,896)**	81.83%
Nonoperating Revenues (Expenses)					
Investment Income		3,960,509	857,242	3,103,267	362.01%
Interest on mortgage and construction loans receivable	-1.mm.-	3,351,603	5,854,982	(2,503,379)	(42.76%)
Interest expense		(2,812,744)	(3,877,311)	1,064,567	(27.46%)
Other grants		216,195	267,891	(51,696)	(19.30%)
Increase (decrease) upon hedge termination		-	-	-	
State and County grants		-	-	-	
Gain/(Loss) on Sale of Assets	-1.oo.-	69,386,118	15,150,844	54,235,274	(357.97%)
Total nonoperating revenues (expense)		**74,101,681**	**18,253,648**	**55,848,033**	305.96%
Income (loss) before capital contributions		**51,127,661**	**5,618,523**	45,509,138	809.98%
Income (Loss) before contributions and transfers		**51,127,661**	**5,618,523**	45,509,138	809.98%
Transfer from Discrete Component Units		-	166,727	(166,727)	(100.00%)
Capital contributions		(324,475)	15,185,752	(15,510,227)	(102.14%)
Net income (loss)		**50,803,186**	**20,971,002**	**29,832,184**	142.25%
Total Net Position, beginning of year		**235,861,887**	**214,890,885**	20,971,002	9.76%
Total Net Position, end of year		**$ 286,665,073**	**$ 235,861,887**	**$ 50,803,186**	21.54%

Housing Opportunities Commission of Montgomery County

Combined Statement of Net Position
As of June 30, 2022

Assets	General Fund	Opportunity Housing Fund	Public Fund	Single Family Fund	Multi Family Fund	Elimination	6/30/2022 Total Funds with Elimination	6/30/2021 Total Funds with Elimination
Current Assets								
Unrestricted:								
Cash and Cash Equivalents	$ 54,778,657	$ 75,263,567	$ 7,463,242	$ 1,513,533	$ 2,319,502	$ -	$ 141,338,500	$ 114,255,018
Interfund Receivable		20,327,327	1,619,723	-	-	(21,947,050)	-	-
Advances to Component Units	3,624,403	441,820	-	-	-	-	4,066,223	2,292,242
Accounts Receivable and Other Assets	5,886,608	11,488,437	9,817,427	462,113	23,679	-	27,678,264	29,193,066
Accrued Interest Receivable	6,965,030	5,719,820	-	769,194	1,549,224	(909,465)	14,093,803	10,229,505
Mortgage & Construction Loans Receivable, Current	5,444,459	1,423,792	-	8,361,255	9,580,277	(11,651,839)	13,157,945	8,404,989
Total Unrestricted Current Assets	**76,699,157**	**114,664,762**	**18,900,392**	**11,106,094**	**13,472,682**	**(34,508,353)**	**200,334,735**	**164,374,820**
Restricted Cash and Cash Equivalents nd Investments:								
Restricted Cash and Cash Equivalents	6,163,718	45,036,490	1,351,555	56,628,746	116,630,714	-	225,811,223	223,822,777
Restricted Short-Term Investments	-	-	-	3,596,993	-	-	3,596,993	6,590,395
Restricted for Current Bonds Payable	-	-	-	22,132,517	18,570,702	-	40,703,219	62,991,620
Restricted for Customer Deposits	-	3,446,899	2,161,723	-	-	-	5,608,621	5,165,927
Total Restricted Cash and Cash Equivalents for Investments	**6,163,718**	**48,483,389**	**3,513,278**	**82,358,256**	**135,201,416**	**-**	**275,720,056**	**298,570,719**
Total Current Assets	**82,862,875**	**163,148,151**	**22,413,670**	**93,464,350**	**148,674,098**	**(34,508,353)**	**476,054,791**	**462,945,539**
Noncurrent assets:								
Restricted Long - Term Investments	-	-	-	102,577,685	66,804,121	-	169,381,806	167,277,397
Mortgage & Construction Loans Receivable, Net of Current Portion	464,710,436	175,906,281	2,005,615	29,705,773	470,929,327	(491,527,119)	651,730,313	511,248,638
Capital Assets, Net of Depreciation	11,323,034	663,927,874	5,894,172	147	-	-	681,145,228	691,208,857
Investment in Component Units	2,073,221	33,787,217	-	-	-	-	35,860,437	33,441,589
Total Noncurrent Assets	**478,106,692**	**873,621,372**	**7,899,787**	**132,283,605**	**537,733,449**	**(491,527,119)**	**1,538,117,785**	**1,403,176,481**
Deferred Outflows of Resources								
Derivative Instrument	-	21,270,199	-	-	-	-	21,270,199	21,902,486
Fair Value of Hedging Derivatives	-	(2,193,576)	-	393,712	1,333,970	-	(465,894)	9,606,640
Employer -Related Pension Activities	(101,784)	1,138,218	1,095,326	-	-	-	2,131,760	43,170,695
Employer -Related OPEB Activities	4,620,667	323,673	1,456,937	-	-	-	6,401,277	6,329,917
Total Assets and Deferred Outflows	**565,488,449**	**1,057,308,038**	**32,865,720**	**226,141,667**	**687,741,517**	**(526,035,473)**	**2,043,509,918**	**1,947,131,758**

Housing Opportunities Commission of Montgomery County

Combined Statement of Net Position

As of June 30, 2022

Liabilities and Net Position	General Fund	Opportunity Housing Fund	Public Fund	Single Family Fund	Multi Family Fund	Elimination	6/30/2022 Total Funds with Elimination	6/30/2021 Total Funds with Elimination
Liabilities								
Current Liabilities								
Accounts Payable and Accrued Liabilities	9,548,431	14,363,278	3,331,652	1,216,766	224,209	-	28,684,336	22,879,628
Undrawn Mortgage Proceeds Payable	-	-	-	-	68,050,006	-	68,050,006	103,957,909
Interfund Payable	21,780,609	-	-	123,381	43,060	(21,947,050)	-	-
Accrued Interest Payable	-	10,299,455	-	-	-	(909,465)	9,389,990	9,753,133
.Loans Payable to Montgomery County - Current	-	241,243	-	-	-		241,243	445,585
.Mortgage Notes and Loans Payable-Current	4,246,627	33,466,322	-	-	-	(11,651,839)	26,061,109	26,284,984
Total Current Unrestricted Liabilities	**35,575,667**	**58,370,297**	**3,331,652**	**1,340,147**	**68,317,275**	**(34,508,353)**	**132,426,685**	**163,321,239**
Current Liabilities Payable from Restricted Assets:								
Customer Deposits Payable	-	2,908,079	1,666,953	-	-	-	4,575,032	4,240,817
.Accrued Interest Payable	-	-	-	1,993,795	6,601,970	-	8,595,765	7,896,462
Bonds Payable-Current	-	-	-	20,020,000	11,968,733	-	31,988,733	55,095,158
Total Current Liabilities Payable from Restricted Assets	**-**	**2,908,079**	**1,666,953**	**22,013,795**	**18,570,702**	**-**	**45,159,529**	**67,232,437**
Total Current Liabilities	**35,575,667**	**61,278,376**	**4,998,606**	**23,353,942**	**86,887,977**	**(34,508,353)**	**177,586,214**	**230,553,676**
Non-Current Liabilities								
Bonds Payable	-	-	-	179,049,700	562,507,413	-	741,557,112	612,121,337
Mortgage Notes and Loans payable	397,563,828	721,020,423	-	-	-	(491,527,119)	627,057,131	608,388,948
Loans payable to Montgomery County	27,671,224	59,878,698	-	-	-	-	87,549,922	104,585,051
Unearned Revenue	18,698,441	12,407,327	3,572,897	-	-	-	34,678,666	28,374,987
Escrow and Other Deposits	16,704,415	-	-	-	2,402,294	-	19,106,708	17,098,349
Net Pension liability	19,150,477	2,885,951	10,180,215	-	-	-	32,216,643	21,355,806
Net OPEB liability	7,254,792	931,303	8,387,724	-	-	-	16,573,820	19,893,437
Derivative Investment - Hedging	-	(2,193,576)	-	393,712	1,333,970	-	(465,894)	9,606,640
Total Noncurrent Liabilities	**487,043,177**	**794,930,126**	**22,140,837**	**179,443,412**	**566,243,677**	**(491,527,119)**	**1,558,274,109**	**1,421,424,555**
Total Liabilities	**522,618,845**	**856,208,501**	**27,139,443**	**202,797,354**	**653,131,653**	**(526,035,473)**	**1,735,860,323**	**1,651,978,231**
Deferred Inflows of Resources								
Unamortized Pension Net Difference	4,871,016	621,522	171,469	-	-	-	5,664,007	44,832,002
Unamortized OPEB Net Difference	8,736,288	1,168,662	5,415,565	-	-	-	15,320,514	14,459,638
Total Deferred Inflows of Resources	13,607,304	1,790,184	5,587,034	-	-	-	20,984,522	59,291,640
Net Position								
Net investment in Capital assets	11,323,034	(150,678,811)	5,894,172	-	-	-	(133,461,604)	(131,205,426)
Amounts Restricted for:								
Debt Service	-	45,036,490	-	21,830,781	32,290,362	-	99,157,633	110,183,032
Customer deposits and other	-	538,820	-	-	-	-	538,820	2,337,567
Closing cost assistance program and other	6,050,326	-	1,846,324	-	-	-	7,896,650	1,869,243
Unrestricted (deficit)	11,888,940	304,412,852	(7,601,254)	1,513,533	2,319,502	-	312,533,573	252,677,471
Total net position	**29,262,301**	**199,309,352**	**139,243**	**23,344,314**	**34,609,864**	**-**	**286,665,073**	**235,861,887**
Total Liabilities, Deferred Inflows and Net Position	**565,488,449**	**1,057,308,038**	**32,865,720**	**226,141,667**	**687,741,517**	**(526,035,473)**	**2,043,509,918**	**1,947,131,758**

Housing Opportunities Commission of Montgomery County, Maryland

Combining Statement of Revenue and Expenses

For the Fiscal Year Ended June 30, 2022 (with comparative totals for the Fiscal Year Ended June 30, 2021)

	General Fund	Opportunity Housing Fund	Public Fund	Single Family Fund	Multi Family Fund	Elimination	6/30/2022 Total Funds with Elimination	6/30/2021 Total Funds with Elimination
Operating Revenues								
Dwelling Rental	$ -	$ 101,734,479	$ 723,750	$ -	$ -	$ -	$ 102,458,229	$ 99,291,398
Investment Income	-	-	-	3,520,619	7,939,879	-	11,460,498	7,401,324
Unrealized Gains (Losses) on Investments	-	-	-	(12,906,502)	(2,148,557)	-	(15,055,059)	(4,470,524)
Interest on Mortgage & Construction Loans Receivable	-	-	-	1,625,155	13,102,433	(7,662,383)	7,065,206	6,257,481
Management Fees and Other Income	27,128,121	6,013,900	2,229,703	-	-	(15,808,925)	19,562,799	15,945,903
U.S. Department of Housing and Urban Developement Grants:								
Housing Assistance Payments (HAP)	-	-	123,629,432	-	-	-	123,629,432	115,115,799
HAP Administrative Fees	-	-	10,634,727	-	-	-	10,634,727	9,542,757
Other Grants	374,096	-	6,196,748	-	-	-	6,570,845	5,537,664
State and County Grants	-	-	12,814,562	-	-	-	12,814,562	11,922,676
Total Operating Revenues	**27,502,218**	**107,748,378**	**156,228,923**	**(7,760,728)**	**18,893,755**	**(23,471,308)**	**279,141,239**	**266,544,478**
Operating Expenses								
Housing Assistance Payments	-	-	125,824,235	-	-	-	125,824,235	120,292,490
Administration	14,514,149	17,254,687	17,873,389	1,725,882	2,386,483	(7,134,664)	46,619,926	44,668,915
Maintenance	3,533,418	24,630,996	55,278	-	-	-	28,219,692	24,127,944
Depreciation and amortization	388,801	20,567,958	199,656	-	-	-	21,156,414	20,766,087
Utilities	190,246	6,924,981	303,106	-	-	-	7,418,333	7,068,692
Fringe Benefits	11,652,954	3,839,200	6,542,614	157,131	240,427	-	22,432,327	16,231,881
Pension & OPEB Expense	-	-	-	-	-	-	-	-
Interest expense	-	25,182,358	-	3,141,733	15,290,929	(7,662,383)	35,952,637	32,559,770
Other Expense	2,022,177	15,499,026	5,644,753	-	-	(8,674,261)	14,491,695	13,463,824
Total operating expenses	**32,301,745**	**113,899,206**	**156,443,031**	**5,024,746**	**17,917,840**	**(23,471,308)**	**302,115,260**	**279,179,603**
Operating Income (loss)	**(4,799,527)**	**(6,150,827)**	**(214,109)**	**(12,785,473)**	**975,916**	**-**	**(22,974,021)**	**(12,635,125)**
Nonoperating Revenues (Expenses)								
.Investment Income	2,448,274	1,509,835	2,401	-	-	-	3,960,509	857,242
.Interest on Mortgage and Construction Loans Receivable	9,415,933	781,440	-	-	-	(6,845,770)	3,351,603	5,854,982
.Interest Expense	(9,190,071)	(468,443)	-	-	-	6,845,770	(2,812,744)	(3,877,311)
Real Estate Equity Transfer	-	-	-	-	-	-	-	-
Other Grants	-	216,195	-	-	-	-	216,195	267,891
.State and County Grants	-	-	-	-	-	-	-	-
Gain/(Loss) on Sale of Assets	-	69,386,118	-	-	-	-	69,386,118	-
Total nonoperating revenues (expenses)	**2,674,135**	**71,425,145**	**2,401**	**-**	**-**	**-**	**74,101,681**	**3,102,804**
Income (loss) before capital contributions and transfers	**(2,125,391)**	**65,274,318**	**(211,708)**	**(12,785,473)**	**975,916**	**-**	**51,127,661**	**(9,532,321)**
Transfer To/(From) Discrete Component Units	-		-	-	-	-	-	166,727
Capital contributions/(distributions)		(324,475)	-	-		-	(324,475)	15,185,752
Operating transfers in (out)	3,397,733	(3,106,435)	-	-	(291,298)	-	-	-
Change in Net Position	**1,272,342**	**61,843,408**	**(211,708)**	**(12,785,473)**	**684,618**	**-**	**50,803,186**	**5,820,158**
Total Net Position, Beginning of Year	**27,989,959**	**137,465,944**	**350,951**	**36,129,787**	**33,925,246**		**235,861,887**	**214,890,885**
Total Net Position, End of Year	**$ 29,262,301**	**$ 199,309,352**	**$ 139,243**	**$ 23,344,314**	**$ 34,609,864**	**$ -**	**$ 286,665,073**	**$ 220,711,043**
	-	-	-	-	-	-	-	

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

		FY'22	FY'21	Dollar Variance	Percentage Variance
-1.a. -	**Cash and cash equivalents**	**141,338,500**	**114,255,018**	**27,083,482**	**23.70%**

The increase in cash and cash equivalents is primarily driven by the receipt of excess settlement proceeds from the Shady Grove and Georgian Court real estate transactions as well as the development fees and commitment fees from HOC at Willow Manor LLC, Alexander House LP, HOC at Shady Grove, LLC, HOC at Georgian Court LLC, 900 Thayer LP and HOC at Westside Shady Grove LLC. This is partially offset by a decrease in cash due to the repayment of the Bradley Crossing County loans, OHRF draws for Hilllandale predevelopment expenses, the acquisition of the Battery Lane properties and the timing of the reimbursements of capital expenses from properties under construction.

- 1.b. -	**Advances to Component Units**	**4,066,223**	**2,292,242**	**1,773,981**	**77.39%**

The increase in advances to component units is mainly due to Elizabeth House III LP, HOC at Westside Shady Grove LLC and Bauer Park Apartment LLC, partially offset by a decrease in 900 Thayer LP, South County Regional Recreation and Aquatic Center ("SCRRAC") and HOC at Willow Manor LLC. The changes are due to the timing of the payment and reimbursement of capital expenditures to the General Fund.

- 1.c. -	**Accounts receivable and other assets**	**27,678,264**	**29,193,066**	**(1,514,802)**	**(5.19%)**

The decrease in accounts receivable and other assets is largely driven by a decrease in the Opportunity Housing Fund ("OH Fund") receivables related to the Stewartown Homes transactions due to the timing of the disbursement of the settlement proceeds to pay off the PNC Real Estate Line of Credit ("RELOC"). The OH Fund receivables from rent subsidies and insurance claims decreased as well, attributed to the payments from HUD for the RAD6 properties and insurance reimbursements. The decrease is partially offset by an increase in the Public Fund receivables due to accrued County General Fund commitment for rental assistance. The Incoming Portable vouchers also contributed to the increase in the Public Fund accounts receivables.

- 1.d. -	**Accrued interest receivable**	**14,093,803**	**10,229,505**	**3,864,298**	**37.78%**

The increase is mainly due to accrued interest on the Seller Notes from Arcola House RAD LP, HOC at Stewartown Homes LLC, Alexander House LP, HOC at Georgian Court LLC, Greenhills LP and HOC at Shady Grove LLC as well as the Multifamily Housing Development Bonds (MHDB) 2019 Series A-1 & A-2 related to Elizabeth House III within the Multifamily Bond Fund.

		FY'22	FY'21	Dollar Variance	Percentage Variance
- 1.e. -	**Mort. & const. loans receivable – current**	**13,157,945**	**8,404,989**	**4,752,956**	**56.55%**
- 1.e. -	**Mort. & const. loans receivable – non-current**	**651,730,313**	**511,248,638**	**140,481,675**	**27.48%**
	Total	**664,888,258**	**519,653,627**	**145,234,631**	**27.95%**

The overall net increase in total mortgage and construction loans receivable is attributed to the Multifamily Bond Fund mortgage receivables on the MHDB 2021 Series-C&D bond issue from HOC Willow Manor LLC, HOC at Georgian Court LLC and HOC at Shady Grove LLC, and the Housing Production Fund ("HPF") Series 2021 mortgage receivables from HOC at Westside Shady Grove LLC. Additionally, The OH Fund also increased mainly due to the Seller Notes provided for these same real estate transactions. The increase is partially offset by a decrease in the Single Family Bond Fund due to fifty-six (56) mortgage loan payoffs and prepayments as well as the scheduled principal amortization under both the Single Family Bond Fund and Multifamily Bond Fund.

- 1.f. -	**Restricted cash and cash equivalents**	**225,811,223**	**223,822,777**	**1,988,446**	**0.89%**

The increase in restricted cash and cash equivalents is mainly due to General Fund attributed to FFB loan escrow payments from several properties to cover mortgage insurance and loan management fees. The OH Fund restricted cash also increased attributable to debt service contributions to the OH Bond Fund from VPC One Corporation ("VPC One"), VPC Two Corporation ("VPC Two") and Westwood Towers Apartments ("Westwood") and an increase in several properties' replacement reserve, Diamond Square LP operating reserve and Georgian Court LP residual receipts. This increase is partially offset by the bond draws from the MHDB 2021 Series ABCD and the HPF 2021 along with Single Family Bond Fund net cash outflow from the bond redemptions and disbursements for the Single Family Bond operating budget

- 1.g. -	**Restricted short–term investments**	**3,596,993**	**6,590,395**	**(2,993,402)**	**(45.42%)**

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

- 1.h. -	**Cash for current bonds payable**	**40,703,219**	**62,991,620**	**(22,288,401)**	**(35.38%)**

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

- 1.i. -	**Restricted long-term investments**	**169,381,806**	**167,277,397**	**2,104,409**	**1.26%**

The increase in restricted long-term investments is driven by Multifamily Bond Fund 96 Indenture investments.

		FY'22	FY'21	Dollar Variance	Percentage Variance
-1.j.-	**Capital assets, net of depreciation**	**681,145,228**	**691,208,857**	**(10,063,629)**	**(1.46%)**

The decrease in net capital assets is primarily attributed to the sale of The Manor at Fair Hill Farm LLC, The Manor at Cloppers Mill LLC and The Manor at Colesville LLC ("the three Manor properties"), Shady Grove Apartments LP ("Shady Grove LP") and Georgian Court Silver Spring LP ("Georgian Court LP") to their respective real estate limited partnerships. This decrease is partially offset by the acquisition of several multifamily properties located at Avondale Street ("HOC at Avondale") and Battery Lane in Bethesda ("HOC at Battery Lane").

-1.k.-	**Investment in Component Units**	**35,860,437**	**33,441,589**	**2,418,848**	**7.23%**

The increase in investment in component units is largely due to HOC's additional equity contributions to the CCL Multifamily LLC (The Lindley) in connection with the purchase of the previous investor's interest in the company and acceptance of a new investor. The investment in Bauer Park Apartments LP also increased as a result of the transfer of the remaining residual receipts from Banor Housing.

-1.l.-	**Deferred outflows – Derivatives**	**21,270,199**	**21,902,486**	**(632,687)**	**(2.89%)**
-1.l.-	**Deferred outflows – Hedging derivatives**	**(465,894)**	**9,606,640**	**(10,072,534)**	**(104.85%)**
-1.l.-	**Deferred outflows – Employer pension**	**2,131,760**	**43,170,695**	**(41,038,935)**	**(95.06%)**
-1.l.-	**Deferred outflows – OPEB contribution**	**6,401,277**	**6,329,917**	**71,360**	**1.13%**
	Total	**29,337,342**	**81,009,738**	**(51,672,396)**	**(63.79%)**

As of June 30, 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 $393,712 in the Single Family Bond Fund, $1,333,970 in the Multifamily Bond Fund and ($2,193,576) in the Opportunity Housing Fund which is made up of $23,134 Upton II Construction Loan, ($2,216,710) Elizabeth House III.

The interest swaps on CCL Multifamily and Alexander House were terminated on September 1, 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 Federal Financing Bank. The unamortized balance of the swap termination payment is $21,270,199 reported as deferred Outflows of resources as of June 30, 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).

		FY'22	FY'21	Dollar Variance	Percentage Variance
-1.m. -	**Accounts payable and accrued liabilities**	**28,684,336**	**22,879,628**	**5,804,708**	**25.37%**

The increase in accounts payable and accrued liabilities is driven by the accrued interest on the Cider Mill Apartments $15M HIF/CDBG loan within the Opportunity Housing Fund, HUD Payable related to COVID-19 HAP & Admin program within the Public Fund and funds received by General Fund from 900 Thayer LP to repay the PNC real estate line of credit.

-1.n. -	**Undrawn Mortgage Proceeds Payable**	**68,050,006**	**103,957,909**	**(35,907,903)**	**(34.54%)**

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

- 1.o. -	**Loans payable to Montgomery Co – current**	**241,243**	**445,585**	**(204,342)**	**(45.86%)**
- 1.o. -	**Loans payable to Montgomery Co – noncurrent**	**87,549,922**	**104,585,051**	**(17,035,129)**	**(16.29%)**
	Totals	**87,791,165**	**105,030,636**	**(17,239,471)**	**(16.41%)**

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

- 1.p. -	**Mortgage notes and loans payable - current**	**26,061,109**	**26,284,984**	**(223,875)**	**(0.85%)**
- 1.p. -	**Mortgage notes and loans payable - noncurrent**	**627,057,131**	**608,388,948**	**18,668,183**	**3.07%**
	Totals	**653,118,240**	**634,673,932**	**18,444,308**	**2.91%**

The increase in total mortgage notes and loans payable is largely due to a new Eagle Bank loan and PNC RELOC draws for the acquisition of the Battery Lane properties and the initial draw from the PNC RELOC bridge loan for Elizabeth House III LP. This is partially offset by the repayment of the PNC Bank loans of the three Manor Properties and the PNC Bank RELOC loan of MV Affordable Housing Associates LP ("Stewartown"), the scheduled amortization of principal on the Federal Financing Bank ("FFB") loan of several Opportunity Housing and Real Estate Partnership properties and the partial repayments of the PNC Bank revolving lines of credit for Avondale and Alexander House swap termination draws.

1.q.	**Accrued interest payable - restricted**	**8,595,765**	**7,896,462**	**699,303**	**8.86%**

The increase is mainly due to an increase the Multifamily Bond Fund partially offset by a decrease in the Single Family Bond Fund.

		FY'22	FY'21	Dollar Variance	Percentage Variance
- 1.r. -	**Bonds payable – current**	**31,988,733**	**55,095,158**	**(23,106,426)**	**(41.94%)**
- 1.r. -	**Bonds payable – noncurrent**	**741,557,112**	**612,121,337**	**129,435,775**	**21.15%**
	Totals	**773,545,845**	**667,216,495**	**106,329,350**	**15.94%**

The net increase in the total outstanding bonds payable is predominately due to the issuance of MHDB 2021 Series C&D for $111.4 million for HOC at Willow Manor, LLC, HOC at Shady Grove, LLC, HOC at Georgian Court, LLC and Housing Production Fund ("HPF") Series 2021 Limited Obligation Bonds for $50 million under the Multifamily Bond Fund, and the Single Family Bond Mortgage Revenue Bonds ("SFMRB") 2022 Series ABCD for $31.6 million. This increase is partially offset by the scheduled bond redemptions including bond premium/discount amortization for $57.0 million under the Single Family Bond Fund and $29.5 million under the Multifamily Bond Fund.

1.s.	**Unearned Revenue**	**34,678,666**	**28,374,987**	**6,303,679**	**22.22%**

The increase in unearned revenue is mainly due to excess revenue from the FFB loan payments from several properties to pay for the Loan Management Fees and Mortgage Insurance Premium, deferred commitment fees from the closing of HOC at Willow Manor LP, HOC at Georgian Ct, LLC, and HOC at Shady Grove, LLC and funds transferred from Alexander House LP to partially repay the PNC Bank line of credit draws for the swap termination fees.

-1.aa.-	**Dwelling Rental**	**102,458,229**	**99,291,398**	**3,166,831**	**3.19%**

The increase in dwelling rental income is primarily driven by Bradley Crossing, LLC, which was acquired in June 2021. HOC at Battery Lane LLC, Cider Mill Apartments, VPC Two Corporation and Alexander House Dev Corp, also contributed to higher rental income. This increase is partly reduced by the sale of the three Manor properties, Stewartown Homes (MV Affordable Housing Associates LP), Georgian Court Apartments, and Shady Grove Apartments. The Bad Debt expense in the Opportunity Housing portfolio for FY 2022 (July 2021 to June 2022) amounts to about $2.6 million. As of June 30, 2022, the tenant receivable balance has increased by $1,873,372 from June 30, 2021, totaling $7,796,970. Staff does anticipate that a portion of this amount will result in additional allowances and the potential for additional allowances to be set up in subsequent months to reflect the continuation of non-payments during the COVID-19 pandemic.

-1.bb. -	**Investment Income**	**11,460,498**	**7,401,324**	**4,059,174**	**54.84%**

The increase is largely due to the investment income from bond proceeds not yet drawn within the Multifamily Bond Fund primarily the HPF 2021 Limited Obligation Bonds and MHDB 2021 Series ABCD. This increase is partially reduced by a decrease in the Single Family Bond Fund due to a decrease in Mortgage Backed Securities ("MBS") purchases and lower interest rates.

-1.cc. -	**Unrealized gains (losses) on investment**	**(15,055,059)**	**(4,470,524)**	**(10,584,535)**	**236.76%**

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.

		FY'22	FY'21	Dollar Variance	Percentage Variance
-1.dd. -	**Interest on mortgage and construction loans receivable**	**7,065,206**	**6,257,481**	**807,725**	**12.91%**

The increase in interest on mortgage and construction loans receivable is mainly due to an increase in the MHDB 2021BCD mortgage loan receivable balance in the Multifamily Bond Fund partially offset by a decrease in the Single Family Bond Fund.

-1.ee. -	**Management fees and other income**	**19,562,799**	**15,945,903**	**3,616,896**	**22.68%**

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

- 1.ff. -	**Housing Assistance Payments – Revenue**	**123,629,432**	**115,115,799**	**8,513,633**	**7.40%**
- 1.ff. -	**Housing Assistance Payments – Expense**	**125,824,235**	**120,292,490**	**5,531,745**	**4.60%**

The Housing Assistance Payments (HAP) – revenue increase under the HCV Main Program as well as the incoming Portables in FY'2022 compared to FY2021. The lower HAP revenue in the Main Program in FY'21 is mainly attributed to an offset of the CY'19 and CY'20 excess HAP revenue against the HUD funding in FY'21. These excess funds were transitioned to HUD-held Reserve, which will be available to the agency when needed. The increase in HAP revenue is partly offset by a decrease in the earned HAP revenue under the COVID-19 HCV Main Program. The increase in HAP expense is due to an increase in leasing costs within HCV Vouchers, HCV Outgoing/Incoming Portables, and Non-Elderly Persons with Disabilities payments partly offset by a decrease in the COVID-19 HCV Main Program.

-1.gg. -	**HAP administrative Fees - Income**	**10,634,727**	**9,542,757**	**1,091,970**	**11.44%**

The increase in HAP administrative fees income is mainly due to fees earned under the COVID-19 HCV Main Program attributed to increased spending. The Housing Resource Services Admin Program increased as well due to additional funding from the CY2021 HUD reconciliation.

-1.hh. -	**Other grants**	**6,570,845**	**5,537,664**	**1,033,181**	**18.66%**

The increase in other grants is driven by the new Emergency Housing Vouchers grant and an increase in the Fatherhood Initiative Program.

-1.ii. -	**State and County Grants**	**12,814,562**	**11,922,676**	**891,886**	**7.48%**

The increase is mainly due to an increase in the Capital Improvement Program ("CIP"), County Main Programs and Community Choice Homes Initiative Program, partly offset by a decrease in earned revenue from COVID-19 CDBG grant.

		FY'22	FY'21	Dollar Variance	Percentage Variance
-1.jj. -	**Administration**	**46,619,926**	**44,668,915**	**1,951,011**	**4.37%**

The increase in administrative expense is largely driven by the addition of Bradley Crossing and Battery Lane expenses, legal services and miscellaneous operating expenses of Westwood Tower. The General Fund administrative expenses also increased due primarily to expenses on the online information services, consulting and other operating professional services and administrative salaries. Public Fund expenses increased as well mainly due to administrative salaries, tenant services, incentives to Landlords as token of appreciation for COVID partnership with HOC, Fatherhood Initiative Program tuition assistance, Housing Choice Voucher inspections services and other operating services contract, partly offset by a decrease in tenant housing assistance.

-1.kk. -	**Maintenance**	**28,219,692**	**24,127,944**	**4,091,748**	**16.96%**

The increase is mainly attributed to the addition of the maintenance expenses at Bradley Crossing, LLC as well as an increase in maintenance contracts and non-operating capital expenses in several opportunity housing properties. The maintenance contracts increased mainly due to VPC One and VPC Two, Cider Mill, The Willows at Gaithersburg, Seneca Ridge, Timberlawn, Brookside Glen and Barclay LP, partly offset by decrease at The Willow Manor at Colesville, Shady Grove LP and Stewartown. The non-operating capital expenditures went up due primarily to Willows at Gaithersburg, The Willow Manor at Fair Hill Farm, VPC One, Strathmore LP and Brookside Glen partly reduced by a decrease at Shady Grove LP and Cider mill Apartments. The General Fund also contributed to the increase largely attributed to the payments of software licenses and support services.

- 1.ll. -	**Fringe benefits**	**22,432,327**	**16,231,881**	**6,200,446**	**38.20%**

The increase in fringe benefits is largely due to an increase in pension expense partially offset by a decrease in other post-employment benefits, as a result of June 30, 2021 actuarial study provided by the County to HOC.

The pension expense consists of the annual 20-year level dollar amortization of Unfunded Actuarial Accrued Liability paid to the County in September 2021 and the change in the Commission's proportionate share of the Net Pension Liability as of June 30, 2021 provided by the County. The Commission pays into the plan based on funding decisions made by the County for the Plan as a whole. Under accounting standards, pension expense is calculated based on several factors including the value of Plan assets, funding and contributions made.

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

		FY'22	FY'21	Dollar Variance	Percentage Variance
- 1.mm. -	**Interest expense – operating**	**35,952,637**	**32,559,770**	**3,392,867**	**10.42%**
- 1.mm. -	**Interest Expense – non-operating**	**2,812,744**	**3,877,311**	**(1,064,567)**	**(27.46%)**
	Totals	**38,765,381**	**36,437,081**	**2,328,300**	**6.39%**

The increase in interest expense is mainly due to the issuance of Multifamily Bond Fund MHDB 2021 Series ABCD for Westside Shady Grove, HOC at Georgian Court LLC, HOC at Shady Grove LLC, HOC at Willow Manor LLC and HOC at Stewartown Homes LLC as well as the HPF Series 2021. This increase is partially offset by a decrease in the Single Family bonds payable due to scheduled and early redemptions.

- 1.nn. -	**Other Expense**	**14,491,695**	**13,463,824**	**1,027,871**	**7.63%**

The increase in other expense is primarily due to an increase in the FHA Risk Sharing provision for loss, COVID-19 expenses, Section8 Outgoing Portability administrative fees, incentive fees and prior year interest adjustments on Cider Mill County loan.

- 1.oo. -	**Gain (Loss) on Sale of Assets**	**69,386,118**	**15,150,844**	**54,235,274**	**357.97%**

The increase is attributed to the Georgian Court Apartments, Shady Grove Apartments, and the three Manor properties real estate and mortgage loan transactions in FY'22.

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	Division: Finance	Acting Chief Financial Officer
		Terri Fowler		Budget Officer
		Tomi Adebo		Assistant Budget Officer

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

DATE: September 27, 2022

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.

ISSUES FOR CONSIDERATION:

Operating Budget Amendments: Attachment 1-1 details the amendment. Below are descriptions of the proposed amendments for FY'23:

- **General Fund:**

  - **Facilities Capital Rollover:** The FY'23 First Quarter Budget Amendment requests authorization to rollover $95,000 of unspent capital funds for capital expenditures at East Deer Park to cover planned repairs and improvements that were not completed in FY'22. Operating cash to fund for these expenditures was restricted at the end of FY'22 in anticipation of this rollover request. This budget amendment identifies the restricted cash as the source of payment for the expenditures and will be reflected in the FY'23 operating budget as a transfer in and transfer out of existing cash. Both income and expenses in the General Fund will increase by $95,000 to reflect the source and use of the funds to pay for the capital expenditures.

  - **Information Technologies ("IT") Capital Rollover:** The FY'23 First Quarter Budget Amendment requests authorization to rollover $90,000 of unspent capital funds for IT to cover planned capital projects that were not completed in FY'22. Operating cash to fund for these expenditures was restricted at the end of FY'22 in anticipation of this rollover request. This budget amendment identifies the restricted cash as the source of payment for the expenditures and will be reflected in the FY'23 operating budget as a transfer in and transfer out of existing cash. Both income and expenses in the General Fund will increase by $90,000 to reflect the source and use of the funds to pay for the capital expenditures.

  - **Battery Lane:** On May 25, 2022, HOC acquired Battery Lane. The property will pay HOC an Asset Management Fee of $125,080 from the property to support Agency overhead, which is reflected as income in the General Fund (See Opportunity Housing Fund). Income in the General Fund will increase by $125,080.

- **Opportunity Housing Fund:**

  - **Battery Lane:** On May 25, 2022, HOC acquired three naturally occurring affordable multifamily properties along Bethesda's Battery Lane. The three properties were the Glen Wood Apartments at 4857 Battery Lane (50 units), the Glen Aldon Apartments at 4858 Battery Lane (66 units), and the Glen Dorra Apartments at 4998 Battery Lane (96 units), totaling 212 units. The properties are managed by Aldon Management Corporation. Anticipated cash flow of $410,506 from the property will be restricted for FY'23, HOC will receive an Asset Management Fee of $125,080 from the property to support Agency overhead. The fee is reflected as income in the General Fund (See General Fund). Both income and expenses will be increased by $4,328,860 to incorporate the property into the Agency's budget.

FY'23 First Quarter Budget Amendment

	Battery Lane
Total Revenue	**$4,328,860**
Gross Rents	$4,560,060
Concessions	($75,660)
Vacancy Loss	($225,000)
Other Revenue	$69,460
Total Operating Expenses	**$1,715,662**
Personnel	$609,616
Administrative	$354,570
Tenant Services	$32,004
Utilities	$328,452
Maintenance	$345,060
Other	$45,960
Net Operating Income	**$2,613,198**
Annual RfR Contribution	$74,200
Asset Management Fee	$125,080
Excess Cash Flow Restricted	$410,506
Annual Debt Service	$2,003,412
Total Non-Operating Expenses	**$2,613,198**
Cash Flow / (Deficit)	**$0**
Capital	**$56,000**

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

- **Capital Improvements:**
  - **Capital Roll Over for Facilities (General Fund):** All planned capital expenses for Facilities were not completed in FY'22. Therefore, staff requests that $95,000 be rolled forward and included in the FY'23 Budget to pay for generator and carpet replacements at East Deer Park. The work will be funded by cash restricted in FY'22.
  - **Capital Roll Over for Information Technologies (General Fund):** All planned capital expenses for Information Technologies were not completed in FY'22. Therefore, staff

requests that $90,000 be rolled forward and included in the FY’23 Budget. The work will be funded by cash restricted in FY’22.

- **Battery Lane:** The capital budget for the acquired property is $56,000 and includes typical work that can be expected such as replacement of appliances, flooring, and HVAC units as well as new signage for HOC branding.

BUDGET IMPACT:

The net effect of the FY’23 First Quarter Budget Amendment is a surplus of $125,080. The FY’23 Adopted Budget included a projected draw of $1,113,018 from the General Fund Operating Reserve (“GFOR”) to balance the budget. Staff recommends that the anticipated draw be decreased by $125,080 to $987,938 in order to maintain a balanced budget.

The total FY’23 Operating Budget for HOC increased from $311,867,377 to $316,381,237. This is an increase of $4,513,860. The total FY’23 Capital Budget for HOC increased from $247,234,453 to $247,475,453. This is an increase of $241,000. 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.

TIME FRAME:

For informal discussion at the September 27, 2022 Budget, Finance and Audit Committee meeting. For formal Commission action at the October 5, 2022 meeting.

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 First Quarter Budget Amendment.

FY 2023 Operating Budget First Quarter Amendment		Revenues	Expenses	Adopted Budget	Net Changes To Revenue	Net Changes To Expenses	Revenues	Expenses	First Quarter Budget Amendment
General Fund									
	General Fund	$27,121,563	$30,804,742	($3,683,179)	$310,080	$185,000	$27,431,643	$30,989,742	($3,558,099)
	Draw from GFOR to Balance Budget	$1,113,018	$0	$1,113,018	($125,080)	$0	$987,938	$0	$987,938
Multifamily & Single Family Bond Funds									
	Multifamily Fund	$17,582,604	$17,582,604	$0	$0	$0	$17,582,604	$17,582,604	$0
	Single Family Fund	$9,798,059	$9,798,059	$0	$0	$0	$9,798,059	$9,798,059	$0
Opportunity Housing Fund									
	Opportunity Housing & Dev Corps	$102,256,415	$99,929,797	$2,326,618	$4,328,860	$4,328,860	$106,585,275	$104,258,657	$2,326,618
	Draw from GFOR for MetroPointe Deficit	$243,543	$0	$243,543	$0	$0	$243,543	$0	$243,543
	Opportunity Housing Reserve Fund	$6,035,793	$1,571,876	$4,463,917	$0	$0	$6,035,793	$1,571,876	$4,463,917
	Restricted to OHRF	$0	$4,463,917	($4,463,917)	$0	$0	$0	$4,463,917	($4,463,917)
Public Fund									
	Housing Choice Voucher Program	$123,500,940	$128,509,707	($5,008,767)	$0	$0	$123,500,940	$128,509,707	**($5,008,767)**
	Restrict to HCVP HAP Reserve	$4,886,742	$0	$4,886,742	$0	$0	$4,886,742	$0	**$4,886,742**
	Restrict to HCVP Administrative Reserve	$122,025	$0	$122,025	$0	$0	$122,025	$0	**$122,025**
	Federal , State and Other County Grants	$19,206,675	$19,206,675	$0	$0	$0	$19,206,675	$19,206,675	**$0**
TOTAL - ALL FUNDS		**$311,867,377**	**$316,331,294**	**$0**	**$4,513,860**	**$4,513,860**	**$316,381,237**	**$316,381,237**	**$0**

Footnotes - explanation of changes recommended to adopted

GF R	$125,080	Add Asset Management Fee from Bsttery Lane
GF R	$95,000	Add funds restricted in FY'22 for East Deer Park Capital Rollover
GF E	$95,000	Add funds restricted in FY'21 for East Deer Park Capital Rollover
GF R	$90,000	Add funds restricted in FY'22 for IT Capital Rollover
GF E	$90,000	Add funds restricted in FY'22 for IT Capital Rollover
GF E	($125,080)	Reduce draw from GFOR
OH R	$4,328,860	Add Budget for Battery Lane
OH E	$4,328,860	Add Budget for Battery Lane

FY 2023 Capital Budget First Quarter Amendment	Revenues	Expenses	Adopted Budget	Net Changes to Revenue	Net Changes to Expenses	Revenues	Expenses	1st Quarter Amendment
Capital Improvements								
East Deer Park	$112,000	$112,000	**$0**	$95,000	$95,000	$207,000	$207,000	**$0**
Kensington Office	$100,000	$100,000	**$0**	$0	$0	$100,000	$100,000	**$0**
880 Bonifant	$50,000	$50,000	**$0**	$0	$0	$50,000	$50,000	**$0**
Information Technology	$825,000	$825,000	**$0**	$90,000	$90,000	$915,000	$915,000	**$0**
Opportunity Housing Properties	$6,265,728	$6,265,728	**$0**	$56,000	$56,000	$6,321,728	$6,321,728	**$0**
	$7,352,728	**$7,352,728**	**$0**	**$241,000**	**$241,000**	**$7,593,728**	**$7,593,728**	**$0**
Capital Development Projects								
Bauer Park Apartments	$3,257,532	$3,257,532	**$0**	$0	$0	$3,257,532	$3,257,532	**$0**
Deeply Affordable Units	$1,250,000	$1,250,000	**$0**	$0	$0	$1,250,000	$1,250,000	**$0**
Elizabeth House III	$3,653,409	$3,653,409	**$0**	$0	$0	$3,653,409	$3,653,409	**$0**
Georgian Court	$9,963,270	$9,963,270	**$0**	$0	$0	$9,963,270	$9,963,270	**$0**
Hillandale Gateway - Senior	$18,703,337	$18,703,337	**$0**	$0	$0	$18,703,337	$18,703,337	**$0**
Hillandale Gateway - Multifamily / Retail	$39,677,453	$39,677,453	**$0**	$0	$0	$39,677,453	$39,677,453	**$0**
Metropolitan	$108,988,214	$108,988,214	**$0**	$0	$0	$108,988,214	$108,988,214	**$0**
Shady Grove	$11,034,897	$11,034,897	**$0**	$0	$0	$11,034,897	$11,034,897	**$0**
Stewartown	$4,776,677	$4,776,677	**$0**	$0	$0	$4,776,677	$4,776,677	**$0**
Upton II	$5,539,196	$5,539,196	**$0**	$0	$0	$5,539,196	$5,539,196	**$0**
West Side Shady Grove	$22,637,382	$22,637,382	**$0**	$0	$0	$22,637,382	$22,637,382	**$0**
Willow Manor Resyndication	$10,400,358	$10,400,358	**$0**	$0	$0	$10,400,358	$10,400,358	**$0**
	$239,881,725	**$239,881,725**	**$0**	**$0**	**$0**	**$239,881,725**	**$239,881,725**	**$0**
TOTAL - ALL FUNDS	**$247,234,453**	**$247,234,453**	**$0**	**$241,000**	**$241,000**	**$247,475,453**	**$247,475,453**	**$0**

Footnotes - explanation of changes

GF-Fac R	$95,000	Roll forward Facilities FY'22 Capital for East Deer Park
GF-Fac E	$95,000	Roll forward Facilities FY'22 Capital for East Deer Park
GF-IT R	$90,000	Roll forward IT FY'22 Capital
GF-IT E	$90,000	Roll forward IT FY'22 Capital
OH R	$56,000	Add Budget for Battery Lane
OH E	$56,000	Add Budget for Battery Lane

MEMORANDUM

TO:	Housing Opportunities Commission of Montgomery County Budget, Finance and Audit Committee
VIA:	Chelsea Andrews Executive Director
FROM:	Staff: Tim Goetzinger, CDFO and Acting Chief Financial Officer Eugenia Pascual, Controller Nilou Razeghi, Accounting Manager Nathan Bovelle, CMO and Acting Director of Property Management
RE:	**Uncollectible Tenant Accounts Receivable**: Presentation of Request to Write-off Uncollectible Tenant Accounts Receivable (April 1, 2022 – June 30, 2022)
DATE:	September 27, 2022

BACKGROUND:

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

The last approved write-off of former tenant accounts receivable balances on May 24, 2022 was for $126,941, which covered the three-month period from January 1, 2022 through March 31, 2022.

The proposed write-off of former tenant accounts receivable balances for the fourth quarter April 1, 2022 through June 30, 2022 is $127,482.

The $127,482 fourth quarter write-off is attributable to former tenants within HOC's Opportunity Housing properties, Supportive Housing Properties and RAD Properties. The primary reasons for the write-offs across the properties include tenants who voluntarily vacated their units, passed away, lease violations, failed to complete annual and left to live in a nursing home.

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

Property Type	Current Write-offs 04/01/22 - 06/30/22	Prior Write-offs 01/01/22 - 03/31/22	$ Change 12/31/21 - 03/31/22	% Change 12/31/21 - 03/31/22	Fiscal Year 2022 Year-to-Date 07/01/21 - 06/30/22	Fiscal Year 2021 Year-to-Date 07/01/20 - 06/30/21
Public Housing	$ -	$ -	$ -	0.00%	$ -	$ 706
Opportunity Housing	101,847	116,356	(14,509)	-12.47%	275,258	181,841
Supportive Housing	23,773	9,261	14,512	156.70%	35,766	40,313
RAD Properties	1,862	1,324	538	40.63%	35,302	20,172
236 Properties	-	-	-	0.00%	2,762	2,365
	$ 127,482	**$ 126,941**	**$ 541**	**0.43%**	**$ 349,088**	**$ 245,397**

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

Public Fund

	Current Write-offs 04/01/22 - 06/30/22	Prior Write-offs 01/01/22 - 03/31/22	$ Change 12/31/21 - 03/31/22	$ Change 12/31/21 - 03/31/22	Fiscal Year 2022 Year-to-Date 07/01/21 - 06/30/22	Fiscal Year 2021 Year-to-Date 07/01/20 - 06/30/21
Public Fund						
Former PH Tenants	$ -	$ -	$ -	0.00%	$ -	$ 706
Total Public Fund	**$ -**	**$ -**	**$ -**	**0.00%**	**$ -**	**$ 706**

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

Opportunity Housing Fund

	Current Write-offs 04/01/22 - 06/30/22	Prior Write-offs 01/01/22 - 03/31/22	$ Change 12/31/21 - 03/31/22	$ Change 12/31/21 - 03/31/22	Fiscal Year 2022 Year-to-Date 07/01/21 - 06/30/22	Fiscal Year 2021 Year-to-Date 07/01/20 - 06/30/21
Opportunity Housing (OH) Fund						
617 Olney Sandy Spring Rd	$ 879	$ -	$ 879	0.00%	$ 879	$ -
Avondale	4,675	2,663	2,012	75.55%	7,338	-
Brooke Park Apts	-	1,318	(1,318)	-100.00%	1,318	17,288
Camp Hill Square	-	-	-	0.00%	-	3,683
Holiday Park	-	-	-	0.00%	-	40
Jubilee - Hermitage	-	346	(346)	-100.00%	346	-
Magruders Discovery	-	-	-	0.00%	-	847
McHome	15,670	-	15,670	0.00%	24,062	2,518
MHLP IX - MPDU	-	-	-	0.00%	3,204	3,657
MHLP IX - Pondridge	2,069	-	2,069	0.00%	2,069	11,427
MHLP VII	3,394	-	3,394	0.00%	4,869	2,070
MHLP VIII	-	37	(37)	-100.00%	37	1,742
MHLP X	-	-	-	0.00%	15,134	150
MPDU I/64	-	41,084	(41,084)	-100.00%	41,084	4,620
NCI-1 - 13202 Black Walnut Cou	-	-	-	0.00%	-	552
NCI-1 - 13304 Lydia St	-	524	(524)	-100.00%	524	-
NCI-1 - 60 Catoctin Court	-	-	-	0.00%	-	1,458
Scattered Site One Dev Corp	-	53,072	(53,072)	-100.00%	73,404	22,511
Scattered Site Two Dev Corp	-	858	(858)	-100.00%	858	2,838
Sligo Dev Corp MPDU III	-	-	-	0.00%	-	9,858
State Rental Partnership	-	1,308	(1,308)	-100.00%	6,685	19,437
TPM Dev Corp - MPDU II (59)	-	1,117	(1,117)	-100.00%	4,035	23,401
VPC One Corp	68,515	14,029	54,486	388.37%	82,767	6,869
VPC Two Corp	6,645	-	6,645	0.00%	6,645	46,875
Total OH Fund	**$ 101,847**	**$ 116,356**	**$ (14,509)**	**-12.47%**	**$ 275,258**	**$ 181,841**

Within the Opportunity Housing portfolio, the $101,847 write-off amounts were primarily attributable to VPC One and McHome. The write-offs were mainly due to nine tenants who voluntarily vacated their units and two tenants who violated their lease.

Supportive Housing

	Current Write-offs 04/01/22 - 06/30/22	Prior Write-offs 01/01/22 - 03/31/22	$ Change 12/31/21 - 03/31/22	% Change 12/31/21 - 03/31/22	Fiscal Year 2022 Year-to-Date 07/01/21 - 06/30/22	Fiscal Year 2021 Year-to-Date 07/01/20 - 06/30/21
Supportive Housing						
McKinney X - HUD	$ 23,773	$ 9,261	$ 14,512	156.70%	$ 35,766	$ 39,246
McKinney XIV - HUD	-	-	-	0.00%	-	1,067
Total Supportive Housing	**$ 23,773**	**$ 9,261**	**$ 14,512**	**156.70%**	**$ 35,766**	**$ 40,313**

Within the Supportive Housing Program, the $23,773 write off amounts were due to three tenants who passed away, two tenants who voluntarily vacated their units, one tenant who failed to complete annual recertification and one tenant who left to live in a nursing home.

LIHTC/RAD Properties

	Current Write-offs 04/01/22 - 06/30/22	Prior Write-offs 01/01/22 - 03/31/22	$ Change 12/31/21 - 03/31/22	% Change 12/31/21 - 03/31/22	Fiscal Year 2022 Year-to-Date 07/01/21 - 06/30/22	Fiscal Year 2021 Year-to-Date 07/01/20 - 06/30/21
LIHTC/RAD Properties						
Elizabeth House - Interim RAD	-	1,324	(1,324)	-100.00%	1,324	1,283
Holly Hall RAD	1,862	-	1,862	0.00%	1,862	1,909
RAD 6 - Sandy Spring	-	-	-	0.00%	46	-
RAD 6 - Ken Gar	-	-	-	0.00%	-	295
RAD 6 - Seneca Ridge	-	-	-	0.00%	25,786	15,807
RAD 6 - Towne Centre Place	-	-	-	0.00%	2,691	-
Waverly House LP	-	-	-	0.00%	184	878
Total RAD Properties	**$ 1,862**	**$ 1,324**	**$ 538**	**40.63%**	**$ 35,302**	**$ 20,172**

Within the LITHC/RAD properties, the $1,862 write-off amount was due to one tenant who passed away and one tenant who voluntarily vacated the unit.

236 Properties

	Current Write-offs 04/01/22 - 06/30/22	Prior Write-offs 01/01/22 - 03/31/22	$ Change 12/31/21 - 03/31/22	$ Change 12/31/21 - 03/31/22	Fiscal Year 2022 Year-to-Date 07/01/21 - 06/30/22	Fiscal Year 2021 Year-to-Date 07/01/20 - 06/30/21
236 Properties						
Bauer Park	$ -	$ -	$ -	0.00%	$ -	$ 353
Town Center Apts	-	-	-	0.00%	2,762	2,012
Total 236 Properties	**$ -**	**$ -**	**$ -**	**0.00%**	**$ 2,762**	**$ 2,365**

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

HOC is currently working to procure a new collections vendor. Once finalized, HOC will revert to its collections procedures in which all delinquent balances of $200 or more are to be submitted to the collections vendor for further pursuit. Please note that the Statute of Limitations on rent collection in Maryland is three years, so the delay in procuring a firm should not impact the Agency. Additionally, HOC offers a Surety Bond Program in which residents are provided the option to purchase a surety bond, at a low rate, from the firm Sure Deposit, Inc., in lieu of paying a traditional security deposit to HOC. Furthermore, the full value of the surety bond is available to HOC for recovery of any damage or other loss, just like a traditional security deposit. Through HOC's collection effort and the services the new collections vendor and Sure Deposit, HOC makes every effort to pursue all tenant outstanding receivables. The write-off recovery process is outlined below for your reference.

Finance Write-Off and Recovery Procedures

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

The next anticipated write-off will be for the first quarter of FY'23 covering July 1, 2022 through September 30, 2022. Upon approval, the write-offs will be processed through Yardi's write-off function with the tenant detail placed into the uncollectible accounts receivable database.

ISSUES FOR CONSIDERATION:

Will the Budget, Finance and Audit Committee join staff's recommendation to the Commission to authorize the write-off of uncollectible tenant accounts receivable for the fourth quarter of fiscal year 2022, totaling $127,482?

BUDGET IMPACT:

The recommended write-off of the tenant accounts receivable balances does not affect the net income or cash flow of the individual properties or the Agency as a whole. The write-off expense was recorded when the initial allowance was established because of the receivable balance being

90 days past due. The recommended write-off is to adjust the balance sheet and remove the aged receivable balances.

TIME FRAME:
For discussion at the September 27, 2022 Budget, Finance and Audit Committee meeting. For formal Commission action at the October 5, 2022 meeting.

STAFF RECOMMENDATION:
Staff requests that the Budget, Finance and Audit Committee join its recommendation to the Commission authorizing the write-off of uncollectible tenant accounts receivable of $127,482.

M E M O R A N D U M

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

VIA: Chelsea Andrews, Executive Director

FROM: Staff: Alex Torton, Asset Manager — Division: Property Management
Nathan Bovelle, Interim Director — Division: Property Management

RE: **Procurement of Property Management Services:** Extension of Property Management Contracts

DATE: September 27, 2022

STATUS: Consent ______ Deliberation __X____ Status Report_________Future Action____

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

Currently, staff is actively working with the HOC's Board of Commissioners to create a Property Management solicitation template document that reflects the core values of HOC and the Board. The development of the template is progressing, but it will not conclude before the expiration of certain property management contracts. For several contracts, which expire between October 2022 and April 2023, there are no remaining renewals; therefore, an extension is being requested. Prior to the expiration of these extensions, a full procurement for property management services will be untaken.

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

Count	Property	Type	Current Vendor	Contract Start Date	Annual Renewal Contract Cost	Current Contract End Date	Proposed Renewal Period
1	Arcola Towers	Senior	Edgewood	1/1/2021	$10,500	12/31/2022	1/1/2023-12/31/2023
2	Avondale Apartments	Family	Edgewood	1/1/021	$12,096	12/31/2022	1/1/2023-12/31/2023
3	Barclay One	Family	Residential One	3/1/2021	$37,884	2/28/2023	3/1/2023-3/31/2024
4	Bauer Park Apartments	Senior	Edgewood	1/1/2021	$46,508	12/31/2022	1/1/2023-12/31/2023
5	Camp Hill Square	Family	Edgewood	1/1/2021	$14,784	12/31/2022	1/1/2023-9/1/2023

6	Dale Drive	Supportive	Residential One	3/1/2021	$4,128	4/1/2023	4/2/2023-3/31/2024
7	Fairfax Court	Family	Residential One	3/1/2021	$8,364	2/8/2023	2/9/2023-3/31/2024
8	Manchester Manor	Family	Residential One	3/1/2021	$20,844	4/1/2023	4/2/2023-3/31/2024
9	The Metropolitan	Family	Bozzuto	11/1/2017	$26,250	10/31/2022	11/1/2022-12/31/2023
10	Pooks Hill Court	Family	Edgewood	12/23/2016	$25,932	12/22/2022	12/23/2022-9/1/2023
11	Residences on the Lane	Senior	Edgewood	7/1/2021	$75,600	12/31/2022	1/1/2023-9/1/2023
12	Shady Grove Apartments	Family	Edgewood	1/16/2017	$55,176	1/15/2023	1/16/2023-9/1/2023
13	Southbridge	Family	Residential One	4/1/2017	$20,124	4/1/2023	4/2/2023-3/31/2024
14	Spring Garden	Family	Edgewood	12/1/2017	$39,396	11/30/2022	12/1/2022-9/1/2023
15	Strathmore Court	Family	Bozzuto	11/1/2017	$27,482	10/31/2022	11/1/2022-12/31/2023
16	Tanglewood	Family	Residential One	04/1/2017	$62,568	4/1/2023	4/2/2023-3/31/2024
17	The Willows	Family	Edgewood	1/16/2017	$88,448	1/15/2023	1/16/2023-9/1/2023
18	Timberlawn Crescent	Family	Edgewood	4/1/2020	$54,024	3/31/2023	4/1/2023-3/31/2024
19	Waverly House	Senior	Edgewood	1/1/2021	$51,408	12/31/2022	1/1/2023-12/31/2023

This submittal includes contracts for nineteen (19) properties, which are managed by three different property management companies. Those companies include Bozzuto Management, Edgewood

Management, and Residential One. These companies have provided property management services to HOC over several years. Their history with HOC is as follows:

Bozzuto – Bozzuto has developed, acquired, and built more than 45,000 homes and apartments. Currently, it manages more than 70,000 apartments and 2.2 million square feet of retail space.

Edgewood Management – Edgewood is a well-known property management company that has been providing property management services in the Metropolitan area since 1971. Edgewood has a long history with HOC and manages several properties in our portfolio, including senior, multifamily, and scattered sites.

Residential One – Residential One is an award winning property management firm with close to 10,000 units under its management. They represent third parties including individual owners, non-profit and for profit organizations, family trusts, government, and quasi-government agencies in Maryland, DC, and Virginia.

The chart below provides some general information regarding the nineteen (19) properties that are included in this renewal submission.

Count	Property	Location	Total Units	Current Occupancy	Latest REAC Score
1	Arcola Towers	Kensington	141	99%	83c
2	Avondale Apartments	Bethesda	38	90%	N/A
3	Barclay One	Chevy Chase	81	96%	78c
4	Bauer Park Apartments	Rockville	142	70%	91c
5	Camp Hill Square	Gaithersburg	50	80%	72c
6	Dale Drive	Silver Spring	9	90%	N/A
7	Fairfax Court	Chevy Chase	18	100%	N/A
8	Manchester Manor	Silver Spring	53	94%	98b
9	The Metropolitan	Bethesda	92	97%	N/A
10	Pooks Hill Court	Bethesda	50	92%	99a
11	Residences on the Lane	Rockville	150	89%	N/A
12	Shady Grove Apartments	Rockville	144	84%	98a
13	Southbridge	Takoma Park	39	97%	N/A
14	Spring Garden	Silver Spring	82	100	99a

15	Strathmore Court	North Bethesda	202	99%	N/A
16	Tanglewood	Silver Spring	132	90%	86b
17	The Willows	Gaithersbu rg	195	98%	95b
18	Timberlawn Crescent	Rockville	107	98%	99a
19	Waverly House	Bethesda	157	93%	N/A

Additional information on under-performing properties:

Barclay One – Residential One has been tasked with increasing their REAC score above 80. The management company has proven at other properties that they are up for the task, achieving an 86 and a 98 this year at Manchester Manor and Tanglewood, respectively. The Barclay consists of 157 units, which are distributed as 81 Low Income Tax Credit ("LIHTC") units owned by Barclay One Associates LP with HOC as the General Partner and 76 units owned by Barclay Development Corporation. In November 2019, the Barclay affordable units were transferred back to HOC and are now included in Opportunity Housing.

Bauer Park – Bauer Park has low occupancy due to renovation over the course of the last year. The property consists of three buildings and at the end of June 2022, the renovation was 95% complete with substantial completion expected at the end of September 2022. Work continues on the final building and community room, but all are scheduled to reopen by October 1, 2022. The first two renovated buildings are occupied, but preleasing continues in the final building. It is anticipated that Bauer Park will90+ percentage occupancy by the end of January 2023.

Camp Hill Square – Camp Hill Square maintains a low occupancy due to units that are offline due to a previous fire. Several Camp Hill Square residents who had affected units were transferred to sister property, Washington Square. Affected units have not been rehabilitated.

Dale Drive – Dale Drive is part of the coalition for the homeless portfolio. Nine (9) units are designated to help people and families without housing.

Residences on the Lane – Residences on the Lane initially experienced low occupancy due to being a new lease-up property. However, the community is now 99 percent leased and will be fully occupied by the end of November 2022.

Shady Grove Apartments – Shady Grove Apartments has low occupancy due to on-going renovations.

Tanglewood – Residential One has been working to improve occupancy at Tanglewood. The community has select units that temporarily accommodate tenants awaiting vouchers, who move out once they receive them, in turn causing high turnover at the property.

ISSUES FOR CONSIDERATION:

Does the Budget Finance and Audit Committee join staff's recommendation that the Commission authorize the Executive Director to execute a extensions of the property management contracts with Edgewood, Bozzuto, and Residential One for Arcola Towers, Avondale Apartments, Barclay One, Bauer

Park Apartments, Camp Hill Square, Dale Drive, Fairfax Court, Manchester Manor Apartments, The Metropolitan, Pooks Hill Court, Residences on the Lane, Shady Grove Apartments, Southbridge, Spring Garden Apartments, Strathmore Court at White Flint, Tanglewood, The Willows, Timberlawn Crescent and Waverly House Apartments?

BUDGET IMPACT:

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

TIME FRAME:

For discussion at the September 27, 2022 meeting of the Budget Finance and Audit Committee and formal action at the October 5, 2022 meeting of the Commission.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Budget Finance and Audit Committee join staff's recommendation that the Commission approve the extension of the property management services contracts with the respective management companies heretofore discussed, for Arcola Towers, Avondale Apartments, Barclay One, Bauer Park Apartments, Camp Hill Square, Dale Drive, Fairfax Court, Manchester Manor Apartments, The Metropolitan, Pooks Hill Court, Residences on the Lane, Shady Grove Apartments, Southbridge, Spring Garden Apartments, Strathmore Court at White Flint, Tanglewood, The Willows, Timberlawn Crescent and Waverly House Apartments

Development

Corporation

Meetings

M E M O R A N D U M

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

VIA: Chelsea Andrews, Executive Director

FROM: Staff: Alex Torton, Asset Manager Division: Property Management
Nathan Bovelle, Interim Director Division: Property Management

RE: **Procurement of Property Management Services:** Extension of Property Management Contract Barclay Apartments Development Corporation

DATE: September 27, 2022

STATUS: Consent ______ Deliberation __X____ Status Report__________Future Action____

BACKGROUND:

Staff recommends extending the property management contract with Residential One for Barclay Apartments.

Currently, staff is actively working with the HOC's Board of Commissioners to create a Property Management solicitation template document that reflects the core values of HOC and the Board. The development of the template is progressing, but it will not conclude before the expiration of certain property management contracts. For several contracts, which expire between October 2022 and April 2023, there are no remaining renewals; therefore, an extension is being requested. Prior to the expiration of these extensions, a full procurement for property management services will be untaken.

Property	Location	Total Units	Current Occupancy	Latest REAC Score
Barclay Apartments	Chevy Chase	77	96.10%	78c

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

Property	Current Vendor	Current Vendor Start Date	Annual Renewal Contract Cost	Current Contract End Date	Proposed Renewal Period
Barclay Apartments	Residential One	3/1/2021	$35,424	2/8/2023	2/9/2023-3/31/2024

ISSUES FOR CONSIDERATION:

Does the Budget Finance and Audit Committee join staff's recommendation that the Board of Directors of Barclay Apartments Development Corporation authorize the Executive Director of the Housing Opportunities Commission of Montgomery County to execute an extension of the property management services contract with Residential One for Barclay Apartments?

BUDGET IMPACT:

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

TIME FRAME:

For formal action by the Board of Directors of Barclay Apartments Development Corporation at its meeting on October 5, 2022.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Budget Finance and Audit Committee join staff's recommendation that the Board of Directors of Barclay Apartments Development Corporation approve the property management contract extension with Residential One for Barclay Apartments through March 31, 2024.

M E M O R A N D U M

TO:	Housing Opportunities Commission of Montgomery County Budget Finance and Audit Committee
VIA:	Chelsea Andrews, Executive Director
FROM:	Staff: Alex Torton, Asset Manager — Division: Property Management Nathan Bovelle, Interim Director — Division: Property Management
RE:	**Procurement of Property Management Services:** Extension of Property Management Contract Magruder's Discovery Development Corporation
DATE:	September 27, 2022

STATUS: Consent ______ Deliberation __X____ Status Report_________Future Action____

BACKGROUND:

Staff recommends extending the property management contract with Edgewood Management Corporation ("Edgewood") for Magruder's Discovery.

Currently, staff is actively working with the HOC's Board of Commissioners to create a Property Management solicitation template document that reflects the core values of HOC and the Board. The development of the template is progressing, but it will not conclude before the expiration of certain property management contracts. For several contracts, which expire between October 2022 and April 2023, there are no remaining renewals; therefore, an extension is being requested. Prior to the expiration of these extensions, a full procurement for property management services will be untaken.

Property	Location	Total Units	Current Occupancy	Latest REAC Score
Magruder's Discovery	Bethesda	134	97%	98b

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

Property	Current Vendor	Current Vendor Start Date	Annual Renewal Contract Cost	Current Contract End Date	Proposed Renewal Period
Magruder's Discovery	Edgewood	11/1/2021	$44,688	12/31/2022	1/1/2023-12/31/2023

ISSUES FOR CONSIDERATION:

Does the Budget Finance and Audit Committee join staff's recommendation that the Board Directors of Magruder's Discovery Development Corporation authorize the Executive Director of the Housing Opportunities Commission of Montgomery County to execute an extension of the property management services contract with Edgewood Management for Magruder's Discovery?

BUDGET IMPACT:

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

TIME FRAME:

For formal action by the Board of Directors of Magruder's Discovery Development Corporation at its meeting on October 5, 2022.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Budget Finance and Audit Committee join staff's recommendation that the Board of Directors of Magruder's Discovery Development Corporation approve the property management contract extension with Edgewood Management Corporation for Magruder's Discovery through December 31, 2023.

M E M O R A N D U M

TO:	Housing Opportunities Commission of Montgomery County Budget Finance and Audit Committee
VIA:	Chelsea Andrews, Executive Director
FROM:	Staff: Alex Torton, Asset Manager — Division: Property Management Nathan Bovelle, Interim Director — Division: Property Management
RE:	**Procurement of Property Management Services:** Extension of Property Management Contract for The Metropolitan Development Corporation
DATE:	September 27, 2022

STATUS: Consent ______ Deliberation __X____ Status Report_________Future Action____

BACKGROUND:

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

Currently, staff is actively working with the HOC's Board of Commissioners to create a Property Management solicitation template document that reflects the core values of HOC and the Board. The development of the template is progressing, but it will not conclude before the expiration of certain property management contracts. For several contracts, which expire between October 2022 and April 2023, there are no remaining renewals; therefore, an extension is being requested. Prior to the expiration of these extensions, a full procurement for property management services will be untaken.

Staff recommends extending the property management contract with Bozzuto Management for The Metropolitan.

The chart below provides some general information regarding the property that is included in this extension submission:

Property	Location	Total Units	Current Occupancy	Latest REAC Score
The Metropolitan	Bethesda	92	98%	N/A

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

Property	Current Vendor	Current Vendor Start Date	Annual Renewal Contract Cost	Current Contract End Date	Proposed Renewal Period
The Metropolitan	Bozzuto	11/1/2017	$154,412	10/31/2022	11/1/2022-12/31/2023

ISSUES FOR CONSIDERATION:

Does the Budget Finance and Audit Committee join staff's recommendation that the Board of Directors of The Metropolitan Corporation authorize the Executive Director of the Housing Opportunities Commission of Montgomery County to execute an extension of the property management services contract with Bozzuto Management for The Metropolitan?

BUDGET IMPACT:

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

TIME FRAME:

For discussion at the September 27, 2022 meeting of the Budget Finance and Audit Committee. For formal action by the Board of Directors of The Metropolitan Development Corporation at its meeting on October 5, 2022.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Budget Finance and Audit Committee join staff's recommendation that the Board of Directors of The Metropolitan Development Corporation approve the property management contract extension with Bozzuto Management for The Metropolitan through December 31, 2023.

M E M O R A N D U M

TO:	Housing Opportunities Commission of Montgomery County Budget Finance and Audit Committee
VIA:	Chelsea Andrews, Executive Director
FROM:	Staff: Alex Torton, Asset Manager — Division: Property Management Nathan Bovelle, Interim Director — Division: Property Management
RE:	**Procurement of Property Management Services:** Extension of Property Management Contract Montgomery Arms Development Corporation
DATE:	September 27, 2022

STATUS: Consent ______ Deliberation __X____ Status Report_________Future Action____

BACKGROUND:

Staff recommends renewing the property management contract with Edgewood Management Corporation ("Edgewood") for Montgomery Arms.

Currently, staff is actively working with the HOC's Board of Commissioners to create a Property Management solicitation template document that reflects the core values of HOC and the Board. The development of the template is progressing, but it will not conclude before the expiration of certain property management contracts. For several contracts, which expire between October 2022 and April 2023, there are no remaining renewals; therefore, an extension is being requested. Prior to the expiration of these extensions, a full procurement for property management services will be untaken.

Property	Location	Total Units	Current Occupancy	Latest REAC Score
Montgomery Arms	Silver Spring	128	98%	99a

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

Property	Current Vendor	Current Vendor Start Date	Annual Renewal Contract Cost	Current Contract End Date	Proposed Renewal Period
Montgomery Arms	Edgewood	December 2016	$60,746	12/22/2022	12/23/2022-12/31/2023

ISSUES FOR CONSIDERATION:

Does the Budget Finance and Audit Committee join staff's recommendation that the Board of Directors of the Montgomery Arms Development Corporation authorize the Executive Director of the Housing Opportunities Commission of Montgomery County to execute an extension of the property management services contract with Edgewood Management Corporation for Montgomery Arms?

BUDGET IMPACT:

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

TIME FRAME:

For formal action by the Board of Directors of Montgomery Arms Development Corporation at its meeting on October 5, 2022.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Budget Finance and Audit Committee join staff's recommendation that the Board of Directors of the Montgomery Arms Development Corporation approve the property management contract extension with Edgewood Management Corporation for Montgomery Arms through December 31, 2023.

M E M O R A N D U M

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

VIA: Chelsea Andrews, Executive Director

FROM: Staff: Alex Torton, Asset Manager — Division: Property Management
Nathan Bovelle, Interim Director — Division: Property Management

RE: Extension of Property Management Contract Paddington Square Development Corporation

DATE: September 27, 2022

STATUS: Consent ______ Deliberation __X____ Status Report_________Future Action____

BACKGROUND:

Staff recommends extending the property management contract with Residential One for Paddington Square.

Currently, staff is actively working with the HOC's Board of Commissioners to create a Property Management solicitation template document that reflects the core values of HOC and the Board. The development of the template is progressing, but it will not conclude before the expiration of certain property management contracts. For several contracts, which expire between October 2022 and April 2023, there are no remaining renewals; therefore, an extension is being requested. Prior to the expiration of these extensions, a full procurement for property management services will be untaken.

Property	Location	Total Units	Current Occupancy	Latest REAC Score
Paddington Square	Silver Spring	165	99%	94b

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

Property	Current Vendor	Current Vendor Start Date	Annual Renewal	Current Contract End Date	Proposed Renewal Period

			Contract Cost		
Paddington Square	Residential One	4/1/2017	$87,636	12/22/2022	12/23/2022-3/31/2024

ISSUES FOR CONSIDERATION:

Does the Budget Finance and Audit Committee join staff's recommendation that the Board of Directors of Paddington Square Development Corporation authorize the Executive Director of the Housing Opportunities Commission of Montgomery County to execute an extension of the property management services contract with Residential One for Paddington Square?

BUDGET IMPACT:

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

TIME FRAME:

For formal action by the Board of Directors of Paddington Square Development Corporation at its meeting on October 5, 2022.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Budget Finance and Audit Committee join staff's recommendation that the Board of Directors of Paddington Square Development Corporation approve the property management contract extension with Residential One for Paddington Square through March 31, 2024.

M E M O R A N D U M

TO:	Housing Opportunities Commission of Montgomery County Budget Finance and Audit Committee
VIA:	Chelsea Andrews, Executive Director
FROM:	Staff: Alex Torton, Asset Manager — Division: Property Management Nathan Bovelle, Interim Director — Division: Property Management
RE:	**Procurement of Property Management Services:** Extension of Property Management Contract Pooks Hill Towers Development Corporation
DATE:	September 27, 2022

STATUS: Consent ______ Deliberation __X____ Status Report_________Future Action____

BACKGROUND:

Staff recommends renewing the property management contract with Edgewood Management Corporation ("Edgewood") for Pooks Hill Tower.

Currently, staff is actively working with the HOC's Board of Commissioners to create a Property Management solicitation template document that reflects the core values of HOC and the Board. The development of the template is progressing, but it will not conclude before the expiration of certain property management contracts. For several contracts, which expire between October 2022 and April 2023, there are no remaining renewals; therefore, an extension is being requested. Prior to the expiration of these extensions, a full procurement for property management services will be untaken.

Property	Location	Total Units	Current Occupancy	Latest REAC Score
Pooks Hill Tower	Bethesda	190	93%	99a

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

Property	Current Vendor	Current Vendor Start Date	Annual Renewal	Current Contract End Date	Proposed Renewal Period

			Contract Cost		
Pooks Hill Tower	Edgewood	December 2016	$95,784	12/22/2022	12/23/2022-9/1/2023

ISSUES FOR CONSIDERATION:

Does the Budget Finance and Audit Committee join staff's recommendation that the Board of Directors of the Pooks Hill Tower Development Corporation authorize the Executive Director of the Housing Opportunities Commission of Montgomery County to execute an extension of the property management services contract with Edgewood Management Corporation for Pooks Hill Tower?

BUDGET IMPACT:

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

TIME FRAME:

For formal action by the Board of Directors of Pooks Hill Towers Development Corporation at its meeting on October 5, 2022.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Budget Finance and Audit Committee join staff's recommendation that the Board of Directors of the Pooks Hill Towers Development Corporation approve the property management contract extension with Edgewood Management Corporation for Pooks Hill Tower through September 1, 2023.

M E M O R A N D U M

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

VIA: Chelsea Andrews, Executive Director

FROM: Staff: Alex Torton, Asset Manager — Division: Property Management
Nathan Bovelle, Interim Director — Division: Property Management

RE: **Procurement of Property Management Services:** Extension of Property Management Contract for RAD 6 Development Corporation

DATE: September 27, 2022

STATUS: Consent ______ Deliberation __X____ Status Report_________Future Action____

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

Currently, staff is actively working with the HOC's Board of Commissioners to create a Property Management solicitation template document that reflects the core values of HOC and the Board. The development of the template is progressing, but it will not conclude before the expiration of certain property management contracts. For several contracts, which expire between October 2022 and April 2023, there are no remaining renewals; therefore, an extension is being requested. Prior to the expiration of these extensions, a full procurement for property management services will be untaken.

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

Property	Type	Current Vendor	Contract Start Date	Annual Renewal Contract Cost	Current Contract End Date	Proposed Renewal Period
Ken Gar	Family	Edgewood	1/1/2021	$7215	12/31/2022	1/1/2023-9/1/2023
Parkway Woods	Family	Edgewood	1/1/2021	$7215	12/31/2022	1/1/2023-9/1/2023
Sandy Spring Meadow	Family	Edgewood	1/1/2021	$7215	12/31/2022	1/1/2023-9/1/2023
Seneca Ridge	Family	Edgewood	1/1/2021	$7215	12/31/2022	1/1/2023-9/1/2023
Towne Centre Place	Family	Edgewood	1/1/2021	$7215	12/31/2022	1/1/2023-9/1/2023
Washington Square	Family	Edgewood	1/1/2021	$7215	12/31/2022	1/1/2023-9/1/2023

This submittal includes one (1) contract for six (6) properties that are managed Edgewood Management. This company has provided property management services to HOC over several years. Their history with HOC is as follows:

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

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

Property	Location	Total Units	AMI Restrictions	Current Occupancy
Ken Gar	Kensington	19	50% AMI	95%
Parkway Woods	Rockville	24	50% AMI	100%
Sandy Spring Meadow	Sandy Spring	55	50% AMI	98%
Seneca Ridge	Germantown	71	50% AMI	90%
Towne Centre Place	Olney	49	50% AMI	98%
Washington Square	Gaithersburg	50	50% AMI	86%

Property Summary:

Ken Gar Apartments consists of a 19-townhome cluster and five single family detached homes in the historic Ken-Gar section of Kensington. The townhomes are three buildings, two story units originally constructed in 1979. There are seven two-bedroom units, five three-bedroom units, and seven four-bedroom units.

Parkway Woods is a 24-unit townhome community located on 2.0 acres in Rockville, MD. It was constructed in 1981 and consists of four buildings with nine two-bedroom units, nine three-bedroom units and six four-bedroom units.

Sandy Spring Meadow is located on 14.2 acres in Sandy Spring, MD. It was originally constructed in 1980 and is a 55-unit community consisting of 25 townhomes and 30 single family homes. All townhomes have two bedrooms and the single family homes have three or four bedrooms.

Towne Centre Place is a 49-unit townhome community located in Olney. The property was built in 1986 and consists of 14 one-bedroom units, 20 two-bedroom units, and 15 three-bedroom units. This community is on a 6.5 acre site.

Seneca Ridge is a 71-unit townhome community located in Germantown. It has two one-bedroom units, nine two-bedroom units, 40 three-bedroom units and 20 four-bedroom units. This community was constructed in 1970 and underwent renovations in 2015. It is located on 8.5 acres and is principally located at Scenery Drive in Germantown, MD.

Washington Square is a 50-unit townhome community consisting of 10 two-bedroom units, 32 three-bedroom units, and eight four-bedroom units originally constructed in 1968 and renovated in 2002. It is located on 4.08 acres in Gaithersburg, MD. Washington Square has several units being rehabilitated in order to lease and improve occupancy above 95%.

ISSUES FOR CONSIDERATION:

Does the Budget Finance and Audit Committee join staff's recommendation that the Board of Directors of RAD 6 Development Corporation authorize the Executive Director to execute an eight-month extension of the property management contract with Edgewood for RAD 6 Development Corporation?

BUDGET IMPACT:

The extension of the property management contracts will not have an adverse budget impact for the FY2023 operating budget. The costs associated with the services are included in the property budgets, which were approved on June 8, 2022.

TIME FRAME:

For formal action at the October 5th meeting of the Commission.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Budget Finance and Audit Committee join staff's recommendation that the Board of Directors of RAD 6 Development Corporation approve the extension of the property management services contract with the respective management company heretofore discussed, for RAD 6 Development Corp through September 1, 2023.