

Revised: August 23, 2022



10400 Detrick Avenue
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BUDGET, FINANCE AND AUDIT COMMITTEE

August 26, 2022

11:30 a.m. – via Zoom

YouTube Link: <https://youtu.be/xW75qWMkaQI>

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Minutes

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

Budget, Finance and Audit Committee Minutes

June 29, 2022

For the official record of the Housing Opportunities Commission of Montgomery County, an open meeting of the Budget, Finance and Audit Committee was conducted via an online platform and teleconference on Wednesday, June 29, 2022, with moderator functions occurring at 10400 Detrick Avenue, Kensington, Maryland beginning at 2:07 p.m. There was a livestream of the meeting held on YouTube, available for viewing [here](#). Those in attendance were:

Present

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

Also Attending

Kayrine Brown, Acting Executive Director

Timothy Goetzinger, Acting Chief Financial Officer

Eugenia Pascual, Controller

Nathan Bovelle

Karlos Taylor

Hugh McMullen

Marcus Ervin

Aisha Memon, General Counsel

Terri Fowler, Budget Officer

Olutomi Adebo

John Broullire

Paige Gentry

Gail Willison

Leidi Reyes

IT Support

Aries "AJ" Cruz

Commission Support

Patrice Birdsong, Spec. Asst. to Commission

The meeting was opened with a welcome and roll call of Commissioners who participate on the Committee, as well as the Acting Executive Director and various staff. Commissioner Kelleher joined via phone due to technical difficulties.

APPROVAL OF MINUTES

The minutes of May 24, 2022, open session were approved as submitted with a motion by Commissioner Merkowitz and seconded by Commissioner Kelleher. Affirmative votes were cast by Commissioners Nelson, Kelleher, and Merkowitz.

ACTION/DISCUSSION ITEMS

1. IT System Procurement: Approval to Amend and Restate Resolution No. 02-113 to Provide for Administrative Extensions and Renewals to the Yardi Financial and Property Management System in Accordance with Section 16.2 of the Procurement Policy

Karlos Taylor, Chief Technical Officer, provided a presentation to the Budget, Finance and Audit Committee recommending approval to amend and restate Resolution No. 02-113 to provide for administrative extensions and renewals to the Yardi Financial and Property Management System contract in accordance with the Procurement Policy. Staff addressed questions of the Commissioners. A motion was made by Commissioner Kelleher, subject to positive clarification by Council of staff's approval authority, to recommend to the full Board for approval. The motion was seconded by Commissioner Merkowitz. Affirmative votes were cast by Commissioners Nelson, Kelleher, and Merkowitz.

2. Request for Additional Services under the Professional Auditing Services Contract (for GASB 87)

Timothy Goetzinger, Chief Development Funds Officer/Acting Chief Financial Officer, provided a presentation to the Budget, Finance and Audit Committee requesting approval to recommend to the full Board a request for additional services under the professional auditing services contract to include CliftonLarsonAllen's (CLA) GASB 87 turnkey lease solution. Staff addressed questions of the Commissioners. A motion was made by Commissioner Merkowitz to recommend to the full Board approval of additional auditing services. The motion was seconded by Commissioner Kelleher. Affirmative votes were cast by Commissioner 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 2:39 p.m.

Respectfully submitted,

Kayrine Brown
Acting Secretary-Treasurer

/pmb

Discussion Items

1) Continued Support of \$1,250,000 annually for Supplemental Funds for Deeply Subsidized HOC and Affiliate Owned Unit Improvements

- Historically, this project was used to supplement the funds received from the U.S. Department of Housing and Urban Development (“HUD”) for improvements to our Public Housing stock. In 2014, HOC requested that the original project title, “Supplemental Funds for Public Housing Improvements”, be expanded to allow these funds to be used for “Deeply Subsidized HOC Owned Unit Improvements” to allow the funds to be used on the Public Housing units both pre- and post-conversion.
- The project was expanded to allow the funds to be used on HOC and Affiliate Owned income-restricted scattered site units.
- The Commission’s portfolio includes hundreds of income-restricted scattered site units throughout the County most of which are approximately 30 years of age. Many of these units were acquired into a Low Income Housing Tax Credit (“LIHTC”) limited partnership more than 15 years ago and are subject to continued affordability restrictions under the LIHTC program. In addition, other units are simply older Moderately Priced Dwelling Units (MPDUs) that continue to be restricted to low- and moderate-income households.
- These units are in need of renovation in order to continue to serve eligible households. With significant debt remaining on these units, the net operating income from the affordably priced units cannot support both the repayment of that debt and the additional proceeds needed to complete a comprehensive scope of renovation, which includes new windows, roof replacement, installation of energy-efficient heating and air conditioning systems, electrical and plumbing repairs, new flooring, new lighting, new cabinetry, installation of energy-efficient appliances, and new bathrooms.
- The FY’21 annual funding of \$1.25 million was reduced by \$125,000 in the FY’21 County Revised Spending Plan resulting in funding of \$1.125 million. In FY’22 and FY’23, the funding was restored to \$1.25 million annually.
- CIP funds are being used to focus on repairs and renovation of those units where renovations are required and the properties cannot support additional debt. The final scope for renovations has been developed and a pool of contractors was selected to perform scattered site renovations. In FY’22, twenty-three (23) scattered site units were fully renovated and full window replacement, roof replacement and other interior and exterior repairs and capital improvements were completed in another seventy-eight (78) units. Renovations are in process on 4 units that will be completed between August and December 2022 utilizing approximately \$200,000 of available CIP funding for FY’23. Staff is currently working on a plan to perform additional full unit renovations utilizing available funding while also addressing critical repairs and other capital needs on severely

distressed scattered site units.

- Staff anticipates utilizing all available scattered site funding by the end of FY'23.
- The average cost for units requiring full interior and exterior renovations has increased to approximately \$76,000. The available funds, including the FY'23 funding, would allow for full renovations of approximately 50 units; however, more units may be addressed if full renovations are not required (fewer if scope and costs increase). Continued funding at the \$1.25 million level will support the ongoing repairs and renovations of the severely distressed scattered site units.
- This project is directly related to accomplishing the following County Executive priority outcomes:
 - An Affordable, Welcoming County for a Lifetime
 - Thriving Youth and Families
 - A Greener County
 - Effective, Sustainable Government
 - Safe Neighborhoods
 - A Growing Economy

2) Continued Funding for the Demolition Fund - \$1,900,000

- The Commission and County previously approved \$1,900,000 for demolition of the Ambassador Apartments (\$1.3 million) and Emory Grove Village (\$0.6 million).
- During the FY'20-25 CIP cycle, \$500,000 of the total budget was moved to FY'21. It was agreed that HOC would fund the demolitions of both properties and be partially reimbursed by the County in FY'20 with the balance paid in FY'21. The \$600,000 CIP funding for Emory Grove's demolition was included in the FY'19 CIP budget and was extended to FY'22.
- During the FY'21-26 cycle, the scope of the Ambassador demolition was expanded to include the demolition of the adjacent vacant mattress store. Demolition of the Ambassador was completed in April 2020 and demolition of the mattress store was completed in September 2020. Following the demolition, fencing and panel boards were installed for security and site beautification until the property is redeveloped.
- The demolition for Emory Grove Village was completed in May 2022 and fencing has been installed to secure the property.
- Final billing will occur once all permits are finalized. Staff anticipates that savings of approximately \$100-150k may be realized in the total project for both demolitions and requests that the savings be utilized to begin the preparation process for the demolition of the current Elizabeth House building as requested

by the county.

- This project is directly related to accomplishing the following County Executive priority outcomes:
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3) Increase Funding for Washington Suburban Sanitary Commission (“WSSC”) Sewer and Storm Line Improvements at Elizabeth Square (ES) from \$705,000 to \$1,225,000

- The FY’23-28 County CIP budget included funding of **\$705,000** for the two parts to the improvements:
 - Increase WSSC sewer line capacity to 15-inch, and
 - Install new temporary 15-inch storm line.
- Several modifications to the original sewer and storm line improvements required by the county have resulted in an increase of \$520,000 in unexpected expense for the project.
- HOC’s original 2017 Sewer and Storm Line improvement plans were approved by WSSC for Elizabeth Square and included the replacement of the 10-inch sewer line with 12-inch line. The sewer line to be replaced was on the west portion of the Washington Metropolitan Area Transit Authority (“WMATA”) and CSX tracks and did not go under the tracks. The current proposed Purple Line Development sewer line replacement conflicted with the approved HOC sewer plan from 2017. The Purple Line was required to design an alternate route under the tracks. The Purple Line Plan (“PLP”) was approved by WSSC for this alternative route, and is a 10-inch line replacement. WSSC will no longer accept the HOC 2017 plans and is now requiring HOC to install at **minimum** a 15-inch sewer line along the alternate route to meet the capacity of the Elizabeth Square and the proposed HOC Headquarters building at Fenwick Lane and Second Avenue. They’ve instructed HOC to work with the PLP to ensure the revised plans are in effect before The Leggett, formerly known as Elizabeth House III, and the South County Regional Recreation and Aquatic Center (“SCRRAC”) building obtain **final** occupancy permit.
- The current approved contract documents indicate the new Capital Crescent Trail (located in between Elizabeth House and CSX/WMATA tracks), including the associated retaining wall, trail and storm systems is to be completed by others. Per separate discussions/agreements, MTA/PLP was responsible for this work. HOC is to connect into these Capital Crescent Trail storm systems in order to achieve final inspections. However, MTA/PLP was not scheduled to install these

Capital Crescent Trail storm systems until after HOC’s completion date. As a result, HOC will be installing a temporary 15-inch storm line to accommodate the Elizabeth House project until MTA/Purple Line completes its permanent work.

- Originally, the sewer upgrade work was to be implemented prior to March 2022 in order to maintain the overall project schedule and prior to The Leggett receiving a final certificate of occupancy. The storm work was previously to be undertaken by the Maryland Transportation Authority (“MTA”) per the Purple Line project (“PLP”). However, the MTA work has been delayed beyond HOC’s projected occupancy date. The sewer and storm line upgrades must be implemented prior to The Leggett and the South County Regional Recreation and Aquatic Center (“SCRRAC”) receiving a **final** certificate of occupancy. In the meantime, WSSC is requiring that HOC enter into an agreement with the Montgomery Department of Permitting Services (“DPS”) for a temporary certificate of occupancy that would limit the total occupancy of The Leggett and the original Elizabeth House to 166 units until the PLP completes its sewer upgrade work.

- In June 2021, PLP/MTA indicated the sewer upgrades cost was \$230K based on the approved WSSC plan at that time. Since then, PLP/MTA experienced several challenges including:
 - WSSC directed scope and sequencing revisions due to unforeseen below grade conditions,
 - Escalation costs (perhaps as high as 30%), and
 - WMATA/CSX delays associated with installing/maintaining track settlement monitors and CSX flagger availability.

- Earlier this month, PLP/MTA indicated that its contractor, Garney, is now proposing total costs closer to \$900K. PLP/MTA believes this number is high and has requested additional information; however, they have not yet shared the latest quote with HOC pending further vetting.

- Based upon staff estimates, a more conservative budget of \$750K for this line item is what is being proposed, **an increase of \$520k from the original quote.**

- The total **revised** estimated projected costs for installing the upgraded sewer line and temporary storm line are as follow:
 - Install 15-inch **sewer** line:

• Hard Costs ¹	• \$750,000
• Soft Costs	• \$100,000
• Contingency	• \$100,000
• Subtotal	• \$950,000

1 Revised estimate based on new *Quote provided by Garney Quote (Purple Line subcontractor)*

- Install temporary 15-inch **storm** line:

• Hard Costs ²	• \$100,000
• Soft Costs	• \$75,000
• Contingency	• \$100,000
•	•
• Subtotal	• \$275,000
•	•
• TOTAL	• \$1,225,000

- This project is directly related to accomplishing the following County Executive priority outcomes:
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NEW CAPITAL PROJECT

There is one new capital project that staff requests the Commission consider for this year’s CIP submission:

- **Elizabeth House Demolition**
 - The requested funding totaling approximately \$3M will cover the expense involved in demolishing the existing Elizabeth House multifamily building, which is directly adjacent to HOC’s Alexander House, HOC’s The Leggett, and Montgomery County’s South County Regional Recreation and Aquatics Center “SCRRAC”). These are all part of the larger Elizabeth Square redevelopment of a city block in Downtown Silver Spring. Elizabeth Square will be a mixed-income, multigenerational, mixed-use development consisting of three (3) buildings: The Leggett, formerly known as Elizabeth House III, under which will reside the SCRRAC; the redeveloped Elizabeth Square; and the renovated Alexander House.
 - One of the key elements of Elizabeth Square will be The Leggett, a highly amenitized, mixed-income, senior living community that comprises 106 units of relocated former Public Housing, 134 Low Income Housing Tax Credit units, and 29 market rate units. The SCRRAC will be a place that welcomes people from both surrounding neighborhoods and across the region to a state-of-the-art public aquatic and recreation center, promoting physical health and intergenerational activity. A destination where seniors can thrive within modern residences, benefit

2 Rough estimate by general contractor (Costello)

from a senior wellness center, and enjoy shopping and dining, surrounded by green spaces and walking paths, for a truly holistic living experience.

- The County has **explicitly** requested that the existing Elizabeth House be demolished on or before March 2023 in advance of the opening of the SCRRAC facility in the first half of 2023. The \$3M budget assumes the cost to prepare the building and site for demolition, obtain necessary permits and County approvals, disconnecting various public utilities, removing and abating hazardous materials, and providing for contingency fund for project unknowns.
- Demolishing the Elizabeth House within the specified timeline will provide numerous benefits to the County including increasing visibility to the SCRRAC from Second Avenue and Fenwick Lane, eliminating security and life safety concerns associated with a building remaining vacant while The Leggett and new SCRRAC facility are fully-operational; reducing disruptions to future residents and occupants, which inherently come with demolishing a building of this scale; and expediting the master planning and predevelopment process for the final component of the Elizabeth Square Master Plan.
- This project is directly related to accomplishing the following County Executive priority outcomes:
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ISSUES FOR CONSIDERATION:

- 1) Does the Commission wish to approve a \$91,757,000 (Attachment) CIP submission for FY'24-29, which asks the County to:
 - Continue funding our current projects in the amount of \$86,987,000, to
 - Add \$1,250,000 annually for FY'29 for Deeply Subsidized Units, to
 - Add \$520,000 in additional funding for:
 - **WSSC Sewer and Storm Line Improvements at Elizabeth Square**, and to
 - Add \$3M in new funding for:
 - **Elizabeth House Demolition**.
- 2) Does the Budget, Finance and Audit Committee wish to join staff's recommendation that the Commission grant its authorization to submit the County FY'24-29 Capital Improvements Program Budget, which requests that the County continue funding our current supplemental funds for Deeply Subsidized HOC Owned Units (formerly named Public Housing) at the \$1,250,000 annual level for FY'23-29, increase the current funding of \$705,000 for the WSSC

Sewer and Storm Line Improvements for Elizabeth Square by \$520,000, and add \$3,000,000 in new funding for the Elizabeth House Demolition?

BUDGET IMPACT:

There is no budget impact on the FY'23 Adopted Budget. Funds that are appropriated by the County Council will be included in the FY'24 Adopted Budget.

TIME FRAME:

For informal discussion at the August 26, 2022 Budget, Finance and Audit Committee meeting.
For formal Commission action at the September 7, 2022 meeting.

The County FY'24-29 Capital Improvements Program Budget submission is due to the County by September 8, 2022.

RECOMMENDATION:

Staff recommends that the Budget, Finance and Audit Committee join its recommendation to the full Commission authorization to submit the County FY'24-29 Capital Improvements Program Budget, totaling \$91,757,000.

Attachment

Summary Proposed FY'24-29 CIP Request (\$000)

Project	Total	Through FY'22	Est FY'23	6 year Total	FY'24	FY'25	FY'26	FY'27	FY'28	FY'29
MPDU/PAF Fund	\$12,507	\$12,507	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Opportunity Housing Development Fund	\$4,500	\$1,059	\$3,441	\$0	\$0	\$0	\$0	\$0	\$0	\$0
G.O. Bonds	\$50,000	\$50,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Supplemental Funds for Deeply Subsidized HOC Owned Units Improvements	\$17,375	\$6,701	\$4,424	\$6,250	\$1,250	\$1,250	\$1,250	\$1,250	\$1,250	\$0
WSSC Sewer and Storm Line Improvements for Elizabeth Square ("ES")	\$705	\$0	\$705	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Current Ongoing CIP Project Funding	\$85,087	\$70,267	\$8,570	\$6,250	\$1,250	\$1,250	\$1,250	\$1,250	\$1,250	\$0
Demolition Fund	\$1,900	\$1,694	\$206	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Projects Expected to Close-Out in FY'22	\$1,900	\$1,694	\$206	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal for CIP Project Funding for Current Projects	\$86,987	\$71,961	\$8,776	\$6,250	\$1,250	\$1,250	\$1,250	\$1,250	\$1,250	\$0
Extension for Supplemental Funds for Deeply Subsidized HOC Owned Units Improvements	\$1,250	\$0	\$0	\$1,250	\$0	\$0	\$0	\$0	\$0	\$1,250
Extension of Existing Projects through FY'28	\$1,250	\$0	\$0	\$1,250	\$0	\$0	\$0	\$0	\$0	\$1,250
Additional Funding for WSSC Sewer and Storm Line Improvements for ES	\$520	\$0	\$520	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Demolition Fund for Elizabeth House	\$3,000	\$0	\$3,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Project	\$3,520	\$0	\$3,520	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL FY'23-28 REQUEST	\$91,757	\$71,961	\$12,296	\$7,500	\$1,250	\$1,250	\$1,250	\$1,250	\$1,250	\$1,250