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

Budget, Finance and Audit Committee

May 19, 2023
10:00 a.m.

Livestream: https://www.youtube.com/watch?v=mMQ_o-X0iak

HOC's offices are now open to the public. The public is invited to attend HOC's May 19, 2023 Budget, Finance and Audit Committee meeting in-person. HOC's Board of Commissioners and staff will continue to participate through a hybrid model (a combination of in-person online participation).

Approval of Minutes:

Discussion/Action Items:

6. Calendar Year 2023 (CY'23) HOC at Westside Shady Grove, LLC (The Laureate) Budget Amendment: Presentation of CY'23 HOC at Westside Shady Grove, LLC (The Laureate) Budget Amendment	83
7. Property Management Contracts: Approval Additional Extension of Property Management Contracts Expiring June 30, 2023 for: Alexander House, Cider Mill Apartments, Diamond Square, Fenton Silver Spring, Forest Oaks Towers, Georgian Court, Brookside Glen, Glenmont Crossing, Glenmont Westerly, Greenhills Apartments, MetroPointe Apartments, The Oaks at Four Corners, Stewartown Homes, and Westwood Tower; and Approval Additional Extension of Property Management Contracts Expiring September 30, 2023 for: Camp Hill Square, Pooks Hill Court, Pooks Hill Tower, RAD 6 Development Corp. (Ken Gar, Parkway Woods, Sandy Spring Meadow, Seneca Ridge, Towne Centre Place, Washington Square), Residences on the Lane, Shady Grove Apartments, Spring Garden, and The Willows of Gaithersburg	86

Updates:

Title	Page #
1. Action Plan Update: Update on the Action Plan in Response to Specific Audit Findings from the FY2022 Single Audit	92

Minutes

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

May 12, 2023

For the official record of the Housing Opportunities Commission of Montgomery County, an open meeting of the Budget, Finance and Audit Committee was conducted via a hybrid platform (with some participating in-person and some participating online/via teleconference) on Friday, May 12, 2023 with moderator functions occurring at 10400 Detrick Avenue, Kensington, Maryland beginning at 10:02 a.m. There was a livestream of the meeting held on YouTube, available for viewing here. Those in attendance were:

Present In Person

Richard Y. Nelson, Jr., Chair
Jeffrey Merkowitz – Chair Pro Tem, Commissioner

Via Zoom

Frances Kelleher, Vice Chair, Commissioner

Also Attending

Chelsea Andrews, Executive Director
Terri Fowler, Budget Officer
Aisha Memon, General Counsel
Vivian Ikoro
Kayrine Brown, Deputy Executive Director

Via Zoom

Timothy Goetzinger
John Wilhoit
Francisco Vega
Fred Swan
Victoria Dixon
Fredric Colas
Darcel Cox
Sean Asberry
Eugenia Pascual
John Brouillire
Niketa Patel
Ellen Golf
Maretta Andrews

IT Support	**Commission Support**
Aries "AJ" Cruz	Jocelyn Koon, Senior Executive Assistant
Genio Etienne	

Committee Chair Nelson opened the meeting with a welcome and introduction of Commissioner Kelleher, Commissioner Merkowitz and the Executive Director as well as key staff presenters. Commissioners Nelson began the meeting with the approval of the minutes.

APPROVAL OF MINUTES

The minutes of April 14, 2023 open session were approved as submitted with a motion by Commissioner Kelleher and seconded by Commissioner Nelson. Affirmative votes were cast by Nelson, Merkowtiz and Kelleher.

ACTION/DISCUSSION ITEMS

1. **Fiscal Year 2024 (FY'24) Budget Presentation:** Presentation of the FY 2024 Opportunity Housing Fund Budget

Chelsea Andrews, Executive Director, provided an overview of the presentation and introduced Terri Fowler, Budget Officer and Vivian Ikoro, Financial Analyst who provided the presentation on the FY 2024 Opportunity Housing Fund Budget. Staff addressed questions of the Committee. No formal action was taken.

2. **Fiscal Year 2024 (FY'24) Budget Presentation:** Presentation of the FY 2024 Mortgage Finance and Real Estate Development Budgets

Terri Fowler, Budget Officer, provided the presentation on the FY 2024 Mortgage and Finance and Real Estate Development Budgets. Staff addressed questions of the Committee. No formal action was taken.

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 10:45 a.m.

Respectfully submitted,

Chelsea Andrews
Secretary-Treasurer

/lb

Discussion Items

M E M O R A N D U M

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

VIA: Chelsea Andrews, Executive Director

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

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

DATE: May 19, 2023

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

ISSUES FOR CONSIDERATION:
To assess the financial performance of the Housing Opportunities Commission of Montgomery County (“Agency”) for the third quarter of FY’23 against the budget for the same period.

BUDGET IMPACT:
None for FY’23.

TIME FRAME:
For informal discussion at the May 19, 2023 Budget, Finance and Audit Committee meeting. For formal Commission action at the June 14, 2023 meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:
Staff recommends that the Budget, Finance and Audit Committee join its recommendation to the Commission to accept the Third Quarter FY’23 Budget to Actual Statements.

DISCUSSION – THIRD QUARTER BUDGET TO ACTUAL STATEMENTS

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

HOC Overall (see Attachment A)

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

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

The Commission approves the revenues, expenses, and unrestricted net cash flow from operations for each fund. Unrestricted net cash flow in each fund is what is available to the Commission to use for other purposes. The FY'23 Third Quarter Operating Budget to Actual Comparison (Attachment A) shows unrestricted net cash flow or deficit for each of the funds. Attachment A also highlights the FY'23 Third Quarter Budget to Actual Comparison for Capital Expenses.

The Agency ended the quarter with a net cash flow surplus of $239,461. This surplus resulted in a third quarter budget to actual negative variance of ($1,156,012) when compared to the anticipated third quarter net cash flow surplus of $1,395,473. The primary causes were lower unrestricted cash flow in some of the unrestricted Opportunity Housing properties as a result of property performance (see Opportunity Housing Fund) coupled with lower income in the General Fund partially offset by savings in various expense categories in the fund (see General Fund).

It is worth noting that the Bad Debt expense in the Opportunity Housing portfolio was $2.7 million at December 31, 2022, which was $1.3 million more than anticipated in the budget. At the end of the third quarter, the bad debt expense was reduced by a net $300 thousand to $2.4 million, which produced a smaller negative variance of approximately $567 thousand when compared to the budget for the same period. Staff anticipates that this number will continue to decrease as the remaining rental assistance is applied against the rent arrearages and the Allowances for Bad Debt at the properties are adjusted.

Explanations of Major Variances by Fund

The **General Fund** consists of the basic overhead costs for the Agency. This fund ended the quarter with a deficit of ($5,992,781), which resulted in a positive variance of $810,858, when compared to the projected deficit of ($6,803,639).

As of March 31, 2023, income in the General Fund was $3,091,006 lower than budgeted and expenses were $3,901,864 lower than budgeted. The negative income variance was primarily the result of delays in the receipt of the Commitment and Development Fees. The budgeted Commitment Fees for Hillandale and the Metropolitan, as well as the Development Fee for the Metropolitan, will not be received during FY'23 since the anticipated financings have moved to December 2023 and March 2024, respectively. Development Fees for Bauer Park and The Leggett have also moved from FY'23 to FY'24 based on the expected achievement of certain milestones. The Development Fee for Residences on the Lane, which is based on achieving stabilized operations, originally budgeted to be received in December 2022 is now anticipated before June 30, 2023. The fees that will not be received this fiscal year have now been incorporated into the FY'24 proposed budget. In addition to the lower fees, there are lower draws from the Opportunity Housing Reserve Fund ("OHRF") for Real Estate personnel and predevelopment costs. The lower income was partially offset by the receipt of Federal Emergency Management Agency ("FEMA") reimbursements of approximately $680 thousand for COVID-19 related expenses. A portion of the income will be transferred to the properties that incurred reimbursable expenses.

The positive expense variance was primarily the result of lapse in salary and benefits coupled with savings in professional services, computer software, maintenance contracts, COVID-19 expense and savings in capital projects, which resulted in lower transfers from the operating budget to cover the cost of the projects. A portion of these savings is the result of timing issues and staff does not anticipate the full savings to be realized at year end.

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

Income (the bond drawdowns that finance the administrative costs for these funds) is in line with the budget. The Multifamily and Single Family Bond Funds experienced positive expense variances of $115,694 and $156,489, respectively, as a result of salary and benefit lapse coupled with savings in financial services and legal expense.

The Opportunity Housing Fund

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

The first group includes properties that were budgeted to provide unrestricted net cash flow toward the Agency's FY'23 Operating Budget. This group ended the quarter with cash flow of $4,391,167 or $1,022,702 lower than projected.

- **Alexander House Dev Corp** ended the quarter with a deficit of ($594,668), which resulted in a negative cash flow variance of $449,819 when compared to the projected deficit primarily from greater than anticipated maintenance, bad debt, and utility expenses coupled with higher vacancy loss partially offset by savings in administrative costs. **The Barclay Dev Corp** negative cash flow was $22,741 more than anticipated due to overages in maintenance, utilities, and administrative expenses partially offset by slightly higher gross rents and lower concessions and bad debt expense. **Glenmont Crossing Dev Corp** experienced a negative cash flow variance of $138,343 resulting from higher bad debt, utility and maintenance expenses coupled with higher vacancy loss partially offset by savings in administrative expense. **Glenmont Westerly Dev Corp** experienced a negative cash flow variance of $99,701 resulting from higher utility and maintenance expenses coupled with slightly higher vacancy loss. Cash flow for **Magruder's Discovery Dev Corp** was $172,896 lower than budget through the third quarter primarily based on higher vacancy loss coupled with overages in maintenance expenses and slightly higher bad debt expense partially offset by savings in administrative costs. The **Metropolitan Dev Corp** ended the quarter with a negative cash flow variance of $153,385 primarily based on a delay in the renovations which resulted in the continuation of debt service payments and reserve contributions. In addition, the property experienced higher vacancy loss and lower retail space income as well as overages in administrative expenses and slightly higher security expense partially offset by savings in utility costs and the receipt of a settlement payment from a previous retail tenant for vacating early. **Metropolitan Affordable** also experienced a negative cash flow variance of $32,769 based on the delay in renovations which resulted in the continuation of debt service payments and reserve contributions coupled with higher vacancy loss and overages in administrative costs that were partially offset by savings in utility and maintenance costs. Cash flow at **Montgomery Arms Dev Corp** was $116,300 lower than anticipated primarily due to higher utility, maintenance, bad debt, and security expenses coupled with lower gross rents and higher concessions, which were partially offset by savings in administrative costs and lower vacancy loss. **MPDU 59 Dev Corp** experienced a negative cash flow variance of $77,635 due to greater than anticipated bad debt and administrative expenses coupled with higher vacancy loss partially offset by savings in maintenance costs. Cash flow for **Pooks Hill High-Rise** was $28,565 less than budget primarily due to overages in maintenance, bad debt, and utility expenses partially offset by savings in administrative costs coupled with the FEMA reimbursement for COVID-19 expenses. **Scattered Site One Dev Corp** ended the quarter with a positive cash flow variance of $133,507 largely due to the reduction in bad debt expense based on the receipt of rental assistance for rent arrearages coupled with slightly lower vacancy loss that more than offset the overages in maintenance and administrative costs and lower gross tenant rents. Cash flow at **VPC One Dev Corp** experienced a negative cash flow variance of $218,619 due to greater than anticipated bad debt, maintenance, administrative, and tax expenses partially offset by higher gross rents, lower concessions, and lower vacancy loss. **VPC Two Dev Corp** experienced a positive cash flow variance of $295,705 due to higher gross rents and lower vacancy loss coupled with savings in maintenance, administrative, and utility expenses partially offset by overages in bad debt expense.

The second group consists of properties whose cash flow will not be used for the Agency's FY'23 Operating Budget. Cash flow from this group of Development Corporation properties was $145,526 less than budgeted through March 2023.

- **MetroPointe** experienced a positive cash flow variance of $113,347 resulting from higher gross rents and lower vacancy loss coupled with savings in maintenance and administrative costs that were partially offset by overages in utility, bad debt, and security expenses. Cash flow at the **Oaks at Four Corners Dev Corp** was $81,620 higher than anticipated due to savings throughout most expense categories coupled with lower vacancy loss. The **RAD 6 Dev Corp** properties ended the quarter with a shortfall of ($608,804), which resulted in a negative cash flow variance of $340,493 when compared to the projected shortfall of ($268,311). Collectively, this resulted from overages in maintenance and bad debt expenses coupled with higher vacancy loss partially offset by savings in administrative expenses.

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

The first group includes properties that were budgeted to provide unrestricted net cash flow toward the Agency's FY'23 Operating Budget. This group ended the quarter with cash flow of $1,841,075 or $944,168 less than projected.

- Cash flow at **MPDU I (64)** was $183,666 lower than anticipated because of overages in bad debt and maintenance expenses coupled with higher vacancy loss and lower gross rents. **Avondale Apartments** reported a negative cash flow variance of $109,433 based on higher maintenance costs and debt service, due to increased rates on the PNC Real Estate Line of Credit ("RELOC"), coupled with higher vacancy loss partially offset by slightly higher gross tenant rents and lower bad debt and administrative expenses. **Barclay Affordable** experienced a positive cash flow variance of $80,625 resulting from savings in utility expenses and lower bad debt expense coupled with higher gross rents partially offset by overages in maintenance and administrative costs. A portion of the savings in utilities is related to the split of costs with Barclay Dev Corp that is being reviewed by the management company to determine if a correction is warranted. **Bradley Crossing** ended the quarter with a negative variance of $325,182 as a result of lower gross rents and higher vacancy loss coupled with overages in utility costs and debt expenses due to increased rates on the PNC Real Estate Line of Credit ("RELOC"), that were partially offset by savings in administrative, maintenance, and bad debt expenses. **Camp Hill Square** experienced a negative cash flow variance of $87,546 because of higher vacancy loss coupled with higher maintenance expenses that were partially offset by higher gross rents and lower administrative, utility, and bad debt expenses. **Georgian Court Affordable** and **Shady Grove Apartments,** which were resyndicated as Low Income Housing Tax Credit ("LIHTC") properties in December 2021, incurred audit expenses related to the CY'21 audit. Cash flow for **Holiday Park** was $25,664 less than budgeted as a result of lower gross rents and higher vacancy loss coupled with overages in bad debt and maintenance expenses that were partially offset by savings in utility, tax and administrative expenses. **Jubilee Hermitage** experienced a negative cash flow variance of $10,904 due to overages in maintenance costs coupled with unanticipated vacancy loss. **Manchester Manor** reported a negative cash flow variance of $97,942 due to overages in most expense categories coupled with slightly lower gross rents and higher vacancy loss. Cash flow for

McHome was $40,687 lower than budget based on higher vacancy loss and slightly lower gross rents coupled with overages in maintenance, bad debt, and utility expenses that were partially offset by savings in administrative costs. Cash flow for **MHLP VII** was $100,545 lower than projected as a result of higher vacancy loss coupled with overages in bad debt, utility, and administrative expenses partially offset by savings in maintenance cost. **MHLP IX Scattered Sites** experienced a negative cash flow variance of $94,370 mainly due to overages maintenance, bad debt, and utility expenses countered by slightly higher gross rents. **Pooks Hill Mid-Rise** experienced a negative cash flow variance of $67,583 primarily as a result of higher security expense, resulting from a fire watch at the property due to a faulty fire panel that has since been replaced, and overages in utility and maintenance costs coupled with higher vacancy loss partially offset by higher gross rents and lower concessions. **Westwood Towers** experienced a positive cash flow variance of $44,574 because of lower vacancy loss and higher parking income coupled with savings in debt service payments, tenant services and utility costs that were partially offset by higher administrative, maintenance, bad debt, and security expenses coupled with higher concessions. Cash flow at **The Willows** was $80,926 lower than anticipated due to overages in maintenance, utility, and bad debt expenses that were partially offset by higher gross rents and lower vacancy loss coupled with savings in administrative expenses.

The second group consists of properties whose cash flow will not be used for the Agency's FY'23 Operating Budget. Some of these properties have legal restrictions on the use of cash flow; others may have needs for the cash flow. Cash flow for this group of properties was $802,567 less than budgeted.

- The demolition of **The Ambassador** was completed in April of 2020. The property experienced expenses of $41,911 driven by interest paid on the outstanding debt on the PNC RELOC. There are sufficient reserves at the property to cover the costs. **Battery Lane**, which was acquired on May 25, 2022 ended the quarter with a negative cash flow variance of $26,193 largely due to lower gross rents and higher vacancy loss coupled with higher debt service expenses, due to increased rates on the PNC Real Estate Line of Credit ("RELOC"), maintenance, and bad debt expenses that were partially offset by savings in administrative, tenant services, and utility expenses. **Brooke Park** experienced a negative cash flow variance of $131,610, mainly resulting from a delay in occupying the units post renovation coupled with small overages in most expense categories. Cash flow at **Brookside Glen** was $13,352 lower than anticipated due to higher maintenance, utility, and security expenses coupled with lower gross rents that were partially offset by savings in administrative costs and lower vacancy loss. **Cider Mill** reported a negative cash flow variance of $346,207 due to higher vacancy loss coupled with higher security, bad debt, and administrative expenses partially offset by savings in maintenance and utility expenses. **Diamond Square** ended the quarter with a negative cash flow variance of $110,789 primarily resulting from overages in maintenance and utility costs coupled with higher vacancy loss and slightly lower gross rents that were partially offset by savings in bad debt expenses. A portion of the overage in utility costs is due to a delay in the posting of reimbursements from the City of Gaithersburg. Cash flow for the **NCI** units collectively was $60,249 lower than budget due to three of the fourteen units remaining vacant through February 2023 coupled with overages in maintenance, utility, and bad debt expenses. **Paint Branch** experienced a negative cash flow variance of $6,604 due to lower gross tenant rents coupled with slightly higher vacancy loss and bad debt expense partially offset by savings in maintenance, administrative, and utility costs. **State Rental Combined** experienced a negative cash flow variance of $109,143 because of higher vacancy loss coupled with overages in bad debt and utility expenses that were countered by savings in maintenance and administrative expenses.

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

- The Housing Choice Voucher Program ("HCVP") ended the quarter with a surplus of $881,778. The surplus was comprised of an administrative surplus of $1,513,732 countered by Housing Assistance Payment ("HAP") payments that exceeded HAP revenue by $631,954. 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 coupled with savings in administrative expenses due largely to staff turnover. The higher administrative fee income was primarily the result of a higher proration factor that was changed from 88% to 89.2% coupled with the increased utilization rate and fees received to support the Emergency Housing vouchers.

<u>Tax Credit Partnerships</u>

The Tax Credit Partnerships have a calendar year end.

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

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

Barclay Affordable exceeded its capital budget due to unanticipated replacements of HVAC and heat pump units. **Bradley Crossing** overspent its capital budget due to appliance replacements and elevator repairs. **Brookside Glen** exceeded its capital budget because of the unbudgeted replacement of the hot water heater. **Camp Hill Square**, **Holiday Park**, and **Parkway Woods** overspent their respective capital budgets due to unplanned appliance replacements. **Cider Mill Apartments** exceeded its capital budget as a result of the approved roof replacements that were not finalized for the adopted budget. **Manchester Manor** has exceeded its capital budget due to work required for the Real Estate Assessment Center ("REAC") inspection. **Metropolitan Dev Corp** and **Metropolitan Affordable** spent more than budgeted because of the unanticipated replacement of the building water heater. The **NCI units** overspent their combined budgets due to unanticipated HVAC, appliance, window, and flooring replacements. **Pooks Hill Midrise** exceeded its capital budget due to the cost of replacing a faulty fire panel. **Paddington Square** overspent because of unanticipated pipe replacements and turnover costs to assist Friendly Gardens (site of the 2021 building explosion). **Sandy Spring Meadow** exceeded its capital budget as a result of HVAC replacements in 2 units. **Scattered Site One Dev Corp** overspent its capital budget as a result of HVAC, appliance, and flooring replacements. There were also nominal overages at **Brooke Park**, **Camp Hill Square**, **Elizabeth House RAD**, **MHLP VIII**, **MHLP X**, and **617 Olney Sandy Spring Road**.

The majority of the properties have sufficient property reserves to cover the overages. Where this is not the case, staff are reviewing the obligations from the Opportunity Housing Property Reserve ("OHPR") to ensure sufficient funds are available to cover the balance of the overages.

FY 2023 Third Quarter Operating Budget to Actual Comparison

	Unrestricted Net Cash Flow (9 Months) Budget	(9 Months) Actual	Variance
General Fund			
General Fund	($6,803,639)	($5,992,781)	$810,858
Administration of Multifamily and Single Family Fund			
Multifamily Fund	$578,086	$693,780	$115,694
Draw from / (Restrict to) Multifamily Bond Fund	($578,086)	($693,780)	($115,694)
Single Family Fund	$379,939	$536,428	$156,489
Draw from / (Restrict to) Single Family Bond Fund	($379,939)	($536,428)	($156,489)
Opportunity Housing Fund			
Opportunity Housing Properties	$2,785,243	$1,841,075	($944,168)
Development Corporation Property Income	$5,413,869	$4,391,167	($1,022,702)
OHRF			
OHRF Balance	$4,854,235	($221,001)	($5,075,236)
Excess Cash Flow Restricted	($4,854,235)	$0	$4,854,235
Draw from existing funds	$0	$221,001	$221,001
Net -OHRF	**$0**	**$0**	**$0**
SUBTOTAL - General Fund, Multifamily, Single Family, Opportunity Housing	**$1,395,473**	**$239,461**	**($1,156,012)**
Public Fund			
(1) Housing Choice Voucher Program HAP	($3,912,945)	($631,954)	$3,280,991
(2) Housing Choice Voucher Program Admin	($182,413)	$1,513,732	$1,696,145
Total -Public Fund	**($4,095,358)**	**$881,778**	**$4,977,136**
Public Fund - Reserves			
(1) Draw from / Restrict to HCV Program Cash Reserves	$3,912,945	$631,954	($3,280,991)
(2) Draw from / Restrict to HCV Program Excess Admin Fee	$182,413	($1,513,732)	($1,696,145)
SUBTOTAL - Public Funds	**$0**	**$0**	**$0**
TOTAL - All Funds	**$1,395,473**	**$239,461**	**($1,156,012)**

FY 2023 Third Quarter Operating Budget to Actual Comparison

	Capital Expenses (12 Months) Budget	(9 Months) Actual	Variance
General Fund			
880 Bonifant	$50,000	$4,483	$45,517
East Deer Park	$207,000	$0	$207,000
Kensington Office	$100,000	$33,123	$66,877
Information Technology	$915,000	$336,674	$578,326
Opportunity Housing Fund	$6,321,728	$5,026,472	$1,295,256
TOTAL - All Funds	**$7,593,728**	**$5,400,752**	**$2,147,459**

FY 2023 Third Quarter Operating Budget to Actual Comparison

Development Corp Properties - Net Cash Flow

	(9 Months) Net Cash Flow Budget	Variance Income	Variance Expense	(9 Months) Net Cash Flow Actual	Variance
Properties with unrestricted cash flow for FY21 operating budget					
Alexander House Dev Corp	($144,849)	($133,186)	($316,634)	($594,668)	($449,819)
The Barclay Dev Corp	($97,412)	$57,389	($80,130)	($120,153)	($22,741)
Glenmont Crossing Dev Corp	$315,168	($32,633)	($105,710)	$176,825	($138,343)
Glenmont Westerly Dev Corp	$148,903	($7,600)	($92,101)	$49,202	($99,701)
Magruder's Discovery Dev Corp	$607,864	($106,858)	($66,038)	$434,968	($172,896)
The Metropolitan Dev Corp	$1,458,686	$60,564	($213,949)	$1,305,301	($153,385)
Metropolitan Affordable	($262,979)	$16,140	($48,909)	($295,748)	($32,769)
Montgomery Arms Dev Corp	$315,648	($32,425)	($83,875)	$199,348	($116,300)
MPDU II (59) Dev Corp	$290,699	($55,769)	($21,866)	$213,064	($77,635)
Paddington Square Dev Corp	$451,013	$16,440	($3,736)	$463,718	$12,705
Pooks Hill High-Rise Dev Corp	$424,525	$16,005	($44,570)	$395,960	($28,565)
Scattered Site One Dev Corp	$69,921	($32,358)	$165,865	$203,428	$133,507
Scattered Site Two Dev Corp	($66,095)	($19,312)	$27,558	($57,848)	$8,247
Sligo MPDU III Dev Corp	($38,873)	$2,389	$35,519	($966)	$37,907
VPC One Dev Corp	$1,201,455	$25,242	($243,860)	$982,836	($218,619)
VPC Two Dev Corp	$740,195	$142,715	$152,990	$1,035,900	$295,705
Subtotal	**$5,413,869**	**($83,257)**	**($939,446)**	**$4,391,167**	**($1,022,702)**
Properties with restricted cash flow (external and internal)					
MetroPointe Dev Corp	($178,155)	$108,274	$5,073	($64,808)	$113,347
Oaks at Four Corners Dev Corp	$42,116	$27,603	$54,017	$123,736	$81,620
RAD 6 Dev Corp Total	**($268,311)**	**($211,638)**	**($128,855)**	**($608,804)**	**($340,493)**
Ken Gar Dev Corp	$4,330	($20,924)	$18,044	$1,450	($2,880)
Parkway Woods Dev Corp	$30,478	($5,828)	$17,126	$41,776	$11,298
Sandy Spring Meadow Dev Corp	($16,991)	$1,651	$13,690	($1,650)	$15,341
Seneca Ridge Dev Corp	($199,053)	($134,766)	($52,991)	($386,810)	($187,757)
Towne Centre Place Dev Corp	($49,307)	$60,214	($56,636)	($45,729)	$3,578
Washington Square Dev Corp	($37,768)	($111,985)	($68,088)	($217,841)	($180,073)
Subtotal	**($404,350)**	**($75,761)**	**($69,765)**	**($549,876)**	**($145,526)**
TOTAL ALL PROPERTIES	**$5,009,519**	**($159,018)**	**($1,009,211)**	**$3,841,291**	**($1,168,228)**

Attachment B

FY 2023 Third Quarter Operating Budget to Actual Comparison

For Opportunity Housing Properties - Net Cash Flow

	(9 Months) Net Cash Flow Budget	Variance Income	Variance Expense	(9 Months) Net Cash Flow Actual	Variance
Properties with unrestricted cash flow for FY22 operating budget					
MPDU I (64)	$169,158	($55,290)	($128,375)	($14,508)	($183,666)
Avondale Apartments	$155,319	($29,011)	($80,422)	$45,886	($109,433)
Barclay Affordable	$51,608	$30,979	$49,645	$132,233	$80,625
Bradley Crossing	$962,339	($281,579)	($43,604)	$637,157	($325,182)
Camp Hill Square	$50,030	($43,000)	($44,546)	($37,516)	($87,546)
Chelsea Towers	$45,669	$52,884	($43,459)	$55,094	$9,425
Day Care at Lost Knife Road	($25,020)	$6,327	($5,611)	($24,304)	$716
Elizabeth House Interim RAD	$281,689	$341,626	($327,101)	$296,214	$14,525
Fairfax Court	$65,474	$4,316	($3,970)	$65,820	$346
Georgian Court Affordable	$0	$0	($7,500)	($7,500)	($7,500)
Holiday Park	($26,065)	($18,279)	($7,385)	($51,729)	($25,664)
Jubilee Falling Creek	($3,110)	($3,644)	$4,433	($2,321)	$789
Jubilee Hermitage	($13,115)	($3,271)	($7,633)	($24,019)	($10,904)
Jubilee Horizon Court	($1,020)	($344)	$2,709	$1,345	$2,365
Jubilee Woodedge	($12,026)	($722)	$6,678	($6,070)	$5,956
Manchester Manor	($11,718)	($26,868)	($71,074)	($109,660)	($97,942)
McHome	$49,146	($33,961)	($6,726)	$8,459	($40,687)
McKendree	$35,153	($594)	($3,012)	$31,547	($3,606)
MHLP VII	$21,108	($48,008)	($52,537)	($79,437)	($100,545)
MHLP VIII	$36,084	$50,665	($28,142)	$58,607	$22,523
MHLP IX Pond Ridge	($133,106)	$39,887	($13,881)	($107,100)	$26,006
MHLP IX Scattered Sites	($122,828)	$14,442	($108,812)	($217,198)	($94,370)
MHLP X	($47,780)	($13,732)	$21,921	($39,592)	$8,188
MPDU 2007 Phase II	$13,410	($5,511)	$6,911	$14,810	$1,400
Olney Sandy Spring Road	($5,625)	($114)	$198	($5,541)	$84
Pooks Hill Mid-Rise	$154,576	$18,702	($86,286)	$86,993	($67,583)
Shady Grove Apts	$0	$0	($8,190)	($8,190)	($8,190)
Strathmore Court	$33,967	$101,119	($83,838)	$51,249	$17,282
TPP LLC Pomander Court	($12,886)	($4,387)	$33,194	$15,922	$28,808
TPP LLC Timberlawn	$418,388	$18,122	$17,842	$454,352	$35,964
Westwood Tower	$417,357	$107,649	($63,075)	$461,931	$44,574
The Willows	$239,067	$51,040	($131,966)	$158,141	($80,926)
Subtotal	**$2,785,243**	**$269,443**	**($1,213,614)**	**$1,841,075**	**($944,168)**
Properties with restricted cash flow (external and internal)					
The Ambassador	$0	$0	($41,911)	($41,911)	($41,911)
Battery Lane	$347,125	($200,998)	$174,805	$320,932	($26,193)
Brooke Park	$117,707	($106,065)	($25,545)	($13,903)	($131,610)
Brookside Glen (The Glen)	$60,110	($7,439)	($5,912)	$46,758	($13,352)
CDBG Units	$2,551	($631)	$7,379	$9,299	$6,748
Cider Mill Apartments	$647,812	($197,526)	($148,681)	$301,605	($346,207)
Dale Drive	($3,576)	$59	$12,612	$9,095	$12,671
Diamond Square	$284,246	($55,902)	($54,887)	$173,457	($110,789)
NCI Units	$27,078	($22,480)	($37,769)	($33,171)	($60,249)
NSP Units	$13,094	($3,494)	$8,148	$17,748	$4,654
King Farm Village	$2,372	$0	$447	$2,819	$447
Paint Branch	$37,970	($24,413)	$17,809	$31,366	($6,604)
Southbridge	$20,781	$8,347	$10,624	$39,752	$18,971
State Rental Combined	($204,468)	($112,873)	$3,730	($313,611)	($109,143)
Subtotal	**$1,352,802**	**($723,415)**	**($79,151)**	**$550,235**	**($802,567)**
TOTAL ALL PROPERTIES	**$4,138,045**	**($453,972)**	**($1,292,765)**	**$2,391,310**	**($1,746,735)**

Attachment C

FY 2023 Third Quarter Operating Budget to Actual Comparison

For HUD Funded Programs

	(9 Months) Budget	(9 Months) Actual	Variance
Housing Choice Voucher Program			
HAP revenue	$84,393,405	$87,097,922	$2,704,517
HAP payments	$88,306,350	$87,729,876	($576,474)
Net HAP	**($3,912,945)**	**($631,954)**	**$3,280,991**
Admin.fees & other inc.	$7,260,062	$8,452,337	$1,192,275
Admin. Expense	$7,442,475	$6,938,605	$503,870
Net Administrative	**($182,413)**	**$1,513,732**	**$1,696,145**
Net Income	**($4,095,358)**	**$881,778**	**$4,977,136**

Attachment D

FY 2023 Third Quarter Operating Budget to Actual Comparison

For Capital Improvements

	(12 Months) Budget	(9 Months) Actual	Variance
General Fund			
880 Bonifant	$50,000	$4,483	$45,517
East Deer Park	$207,000	$0	$207,000
Kensington Office	$100,000	$33,123	$66,877
Information Technology	$915,000	$336,674	$578,326
Subtotal	**$1,272,000**	**$374,280**	**$897,720**
Opportunity Housing			
Ambassador	$0	$0	$0
Alexander House Dev Corp	$42,170	$34,537	$7,633
Avondale Apartments	$35,266	$29,809	$5,457
The Barclay Dev Corp	$128,184	$125,113	$3,071
Barclay Affordable	$89,368	$93,420	($4,052)
Battery Lane	$56,000	$51,278	$4,722
Bradley Crossing	$72,240	$99,798	($27,558)
Brooke Park	$0	$478	($478)
Brookside Glen (The Glen)	$81,600	$97,241	($15,641)
Camp Hill Square	$10,097	$26,729	($16,632)
CDBG Units	$5,180	$755	$4,425
Chelsea Towers	$14,800	$2,161	$12,639
Cider Mill Apartments	$1,312,992	$1,436,368	($123,376)
Dale Drive	$8,700	$411	$8,289
Diamond Square	$107,530	$81,046	$26,484
Elizabeth House Interim RAD	$0	$620	($620)
Fairfax Court	$40,196	$26,767	$13,429
Glenmont Crossing Dev Corp	$88,800	$81,509	$7,291
Glenmont Westerly Dev Corp	$134,040	$73,595	$60,445
Holiday Park	$22,140	$29,645	($7,505)
Jubilee Falling Creek	$7,800	$406	$7,394
Jubilee Hermitage	$12,500	$4,459	$8,041
Jubilee Horizon Court	$10,080	$451	$9,629
Jubilee Woodedge	$6,480	$72	$6,408
Ken Gar Dev Corp	$20,770	$13,693	$7,077
King Farm Village	$240	$0	$240
Magruder's Discovery Dev Corp	$102,108	$47,805	$54,303
Manchester Manor	$40,368	$93,751	($53,383)
McHome	$44,640	$13,722	$30,918
McKendree	$25,584	$21,171	$4,413
MetroPointe Dev Corp	$99,913	$44,686	$55,227
The Metropolitan Dev Corp	$89,742	$97,349	($7,607)
Metropolitan Affordable	$6,689	$33,603	($26,914)
Montgomery Arms Dev Corp	$82,832	$51,751	$31,081
MHLP VII	$47,730	$17,414	$30,316
MHLP VIII	$48,840	$48,883	($43)
MHLP IX - Pond Ridge	$63,900	$62,806	$1,094
MHLP IX - Scattered Sites	$90,192	$83,635	$6,557
MHLP X	$98,160	$98,271	($111)
MPDU 2007 Phase II	$7,155	$0	$7,155
617 Olney Sandy Spring Road	$0	$72	($72)
MPDU I (64)	$59,760	$33,518	$26,242
MPDU II (59) Dev Corp	$77,400	$56,779	$20,621
Oaks at Four Corners Dev Corp	$169,737	$108,844	$60,893
NCI Units	$600	$14,082	($13,482)
NSP Units	$15,388	$6,319	$9,069
Paddington Square Dev Corp	$115,500	$156,950	($41,450)
Paint Branch	$16,396	$9,143	$7,253
Parkway Woods Dev Corp	$4,000	$8,487	($4,487)
Pooks Hill High-Rise Dev Corp	$363,436	$151,751	$211,685
Pooks Hill Mid-Rise	$47,020	$55,356	($8,336)
Sandy Spring Meadow Dev Corp	$14,201	$21,140	($6,939)
Scattered Site One Dev Corp	$180,240	$235,796	($55,556)
Scattered Site Two Dev Corp	$45,000	$33,110	$11,890
Seneca Ridge Dev Corp	$38,800	$22,928	$15,872
Sligo MPDU III Dev Corp	$28,176	$16,344	$11,832
Southbridge	$22,896	$2,074	$20,822
State Rental Combined	$236,640	$147,310	$89,330
Strathmore Court	$508,303	$237,838	$270,465
Towne Centre Place Dev Corp	$30,563	$8,118	$22,445
TPP LLC Pomander Court	$21,948	$4,234	$17,714
TPP LLC Timberlawn	$172,250	$52,502	$119,748
VPC One Dev Corp	$222,100	$166,711	$55,389
VPC Two Dev Corp	$184,152	$92,836	$91,316
Washington Square Dev Corp	$55,300	$26,815	$28,485
Westwood Tower	$296,000	$257,552	$38,448
The Willows	$240,896	$74,655	$166,241
Subtotal	**$6,321,728**	**$5,026,472**	**$1,295,256**
TOTAL	**$7,593,728**	**$5,400,752**	**$2,192,976**

MEMORANDUM

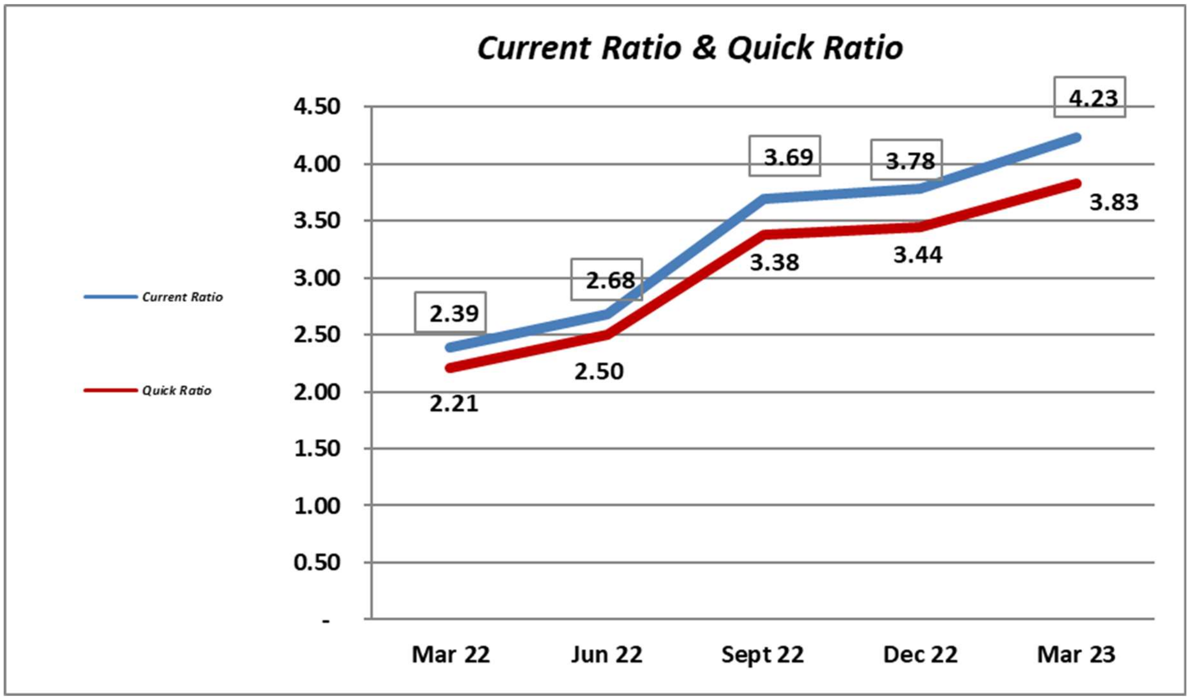
TO:	Housing Opportunities Commission of Montgomery County Budget, Finance and Audit Committee
VIA:	Chelsea Andrews, Executive Director
FROM	Staff: Timothy Goetzinger, Acting CFO Eugenia Pascual, Controller Francisco Vega, Assistant Controller Claudia Wilson, Accounting Manager Niketa Patel, Accounting Manager Nilou Razeghi, Accounting Manager
RE:	**Fiscal Year 2023 (FY'23) Third Quarter Un-Audited Financial Statements:** Presentation of the Un-Audited Financial Statements for the Third Quarter Ended March 31, 2023
DATE:	May 19, 2023

Attached please find the un-audited consolidated financial statements for the Housing Opportunities Commission of Montgomery County ("HOC" or "Commission") for the third quarter ended March 31, 2023.

Financial Highlights:

- The Commission's net position decreased $5.6 million or 1.9% from last year due largely to lower development fee income and higher interest expense during the first nine (9) months of FY'23. This is an improvement of $2.9 million quarter over quarter. After adjusting the net income for the recording of capital contributions, unrealized loss on investment and gain on sale of assets, HOC ended the fiscal period with an adjusted net loss of $258,801 compared to an adjusted net income of $4.2 million for the same period last fiscal year. This is an improvement over last quarter's performance in which HOC ended FY'23 Q2 with a net loss of $1.6 million as compared to a net income of $3.4 million for the same period last fiscal year (FY'22 Q2).

- The Commission's current ratio (ratio of current assets to current liabilities) increased from 2.68 in June 2022 to 4.23 in March 2023. The quick ratio (the ratio is an indicator of liquidity, reflecting current assets that can be converted to cash within 90 days) also increased from 2.50 in June 2022 to 3.83 in March 2023. The increase is attributed to the decrease in the Multifamily Bond Fund undrawn proceeds payable due to additional bond draws for HOC at Westside Shady Grove LLC, HOC at Stewartown LLC, Bauer Park Apartments LP, HOC at Georgian Court LLC, HOC at Shady Grove LLC and HOC at Willow Manor LLC. Furthermore, the Opportunity Housing Fund current liabilities decreased largely due to refinancing of Westwood Towers' short-term debt and the Single Family Bond Fund current maturing bonds payable decreased too.



- The Commission's total assets excluding the deferred outflows of resources decreased by $36 million or 1.8% since June 30, 2022. This is largely due to a decrease in restricted and unrestricted cash, cash equivalents and investments, and net capital assets, partially offset by an increase in mortgage and construction loans receivable.

- The decrease in restricted cash and cash equivalents is mainly due to additional draws from the undrawn bond proceeds within the Multifamily Bond Fund for several real estate developments under construction as well as the decrease in cash for the Single Family Bond Fund current bonds payable.

- The decrease in unrestricted cash and cash equivalents is mainly attributed to a decrease in General Fund due to the payment of FY2023 commercial liability insurance, property taxes, and Yardi annual license and maintenance for Yardi Saas private cloud system, a decrease in OHRF and an increase in advances to several component units due to timing (note 1.b). The decrease in OHRF is largely due to bridge financing of HOC at Shady Grove LLC ("Shady Grove") and Hillandale Gateway LLC ("Hillandale") predevelopment expenses and funding of HOC at CCL Multifamily-Member equity contribution. The decrease is partly reduced by an increase in unrestricted cash at the property level primarily The Metropolitan, Westwood Tower, Bradley Crossing LLC (“Bradley Crossing”), Paddington Square Dev. Corp. (“Paddington”), Pooks Hill Dev. Corp. (“Pooks Hill”), HOC at Battery Lane LLC (“Battery Lane”) and TPP-Timberlawn.

- The decrease in net capital assets of $10 million is primarily attributed to the normal depreciation of fixed assets.

- The overall net increase of $53.6 million in total mortgage and construction loans receivable is due to additional PNC Real Estate Line of Credit (“RELOC”) draws for EH III/The Leggett, HOC at Upton II (“Upton/The Residence Lane”), HOC at Willow Manor LLC, HOC at Stewartown LLC, HOC at Shady Grove LLC, Hillandale Gateway LLC, and the Wheaton Gateway development.

- The Multifamily Bond Fund redeemed and retired bonds for $9.1 million under the Multifamily Housing Development Bonds (1996 Indenture) and $0.6 million under the Stand Alone 1998 Issue. Bond defeasance related to 1994 Strathmore Issue for ($0.5) million was retired as well.

- The Single Family Bond Fund redeemed and retired bonds for $18.0 million under the 1979 Indenture, $4.9 million under the 2019 Indenture and 2.5 million under the 2009 Indenture.

- The amount of U.S. Department of Housing and Urban Development (“HUD”) Housing Choice Voucher Program, Housing Assistance Revenue received by the Commission increased by $5.6% from $92.4 million in FY’22 to $97.6 million in FY’23.

Overall Agency Net Income (Loss)

The Commission has a net loss of $5.6 million as of the third quarter ending March 31, 2023, compared to a net income of $64.5 million for the same period last year. However, after adjusting the net income for the recording of capital contributions, unrealized loss on investments and gain on sale of assets, HOC ended the fiscal period with a net loss of $258,801 as compared to a net income of $4.2 million for the same period last fiscal year.

		FY 2023		FY 2022
Net Income (Loss)	$	(5,558,486)	$	64,460,910
Less:				
Capital Contributions		636,046		(10,531)
Unrealized Loss on Investments		4,663,639		8,975,429
Gain on sale of assets-Non-operating		-		(69,193,317)
Adjusted Net Income (Loss)	$	(258,801)	$	4,232,491
Amount of (Decrease)	$	(4,491,292)		

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

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

Major contributors to HOC's adjusted net loss of $258,801 (as of the third quarter ending March 31, 2023) are provided in the below chart along with a comparison of the same period for FY22:

	FY 2023 (in millions)	FY 2022 (in millions)	Variance (in millions
Housing Assistance Payments (HAP) Income	$ 97.6	$ 92.4	$ 5.2
Other Federal/State & County Grants	13.1	13.4	(0.3)
Investment Income	9.9	6.4	3.5
Interest on Mortgage and Construction Loans Receivable Income	6.5	5.2	1.3
Dwelling Rental Income	76.7	77.6	(0.9)
HAP Expense	(100.0)	(93.4)	(6.6)
Administration Expense	(34.8)	(33.9)	(0.9)
Maintenance Expense	(19.9)	(21.5)	1.6
Utilities Expense	(5.7)	(5.9)	0.2
Fringe Benefits	(8.9)	(9.2)	0.3
Interest Expense	(31.8)	(25.7)	(6.1)
Depreciation and amortization	(15.9)	(15.9)	-
Other Income Net of Other Expenses	12.9	14.7	(1.8)
Adjusted Net Income (Loss)	$ (0.3)	$ 4.2	$ (4.5)

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

Upton II, partly offset by a decrease in HCV VPC One Dev. Corp., HCV VPC Two Dev. Corp., COVID-19 HCV Main Program, Designated Plan Vouchers, and 2017 Mainstream Program.

The increase in the investment income is largely due to HPF Series 2021 Limited Obligation Bonds and MHDB 2021 Series ABCD bonds related to the Multifamily Bond Fund and MRB 2021 Series ABCD and 2022 Series ABCD related to the Single Family Bond Fund as well as the higher interest rate compared to the previous year.

The decrease in state and county grants is driven by the decrease in the Capital Improvement Program ("CIP") and County Main-Public Housing Program, partially offset by an increase in the County Main Programs.

The increase in interest on mortgage and construction loans receivable is primarily due to an increase in the MHDB 2021 Series CD mortgage loan receivable balance in the Multifamily Bond Fund.

The decrease in dwelling rental income is attributed to Shady Grove Apartments LP ("Shady Grove"), the three Manor properties (The Manor at Fair Hill Farms LLC, The Manor at Cloppers Mill LLC & The Manor at Colesville LLC), and Georgian Court Silver Spring LP ("Georgian Ct"), which were sold to special purpose entities in December 2021. The decrease in FY'23 rental income is partially offset by additional rent from HOC at Battery Lane, LLC and HOC at Avondale, LLC properties, which were acquired in June 2022 and March 2022, respectively. The rent revenue at Bradley Crossing, Alexander House, Westwood Towers, and VPC Two increased as well. Bad debt expense for the nine-month period July 2022 to March 2023 amounts to about $2.3 million – this is down about $500,000 from December 31. As of March 31, 2023, the tenant receivable balance has increased by $2,533,098 from June 30, 2022, totaling $10,330,068 – this is also down from December 31 when it was $11.4 million. 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 primarily driven by the Public Fund and General Fund expenses. The Public Fund expenses increased mainly due to administrative salaries, on-line information services, and tenant housing rent, partly offset by a decrease in the COVID 19 Main Program (HAP and Admin).The increase in the General Fund is mainly due to the administrative salaries, division awards (inflationary relief bonuses to staff), temporary agency services, and online information services. This increase is partly offset by a net decrease in the Opportunity Housing Fund mainly due to cost of issuance, contract administrative salaries and legal services.

The decrease in maintenance expense is mainly due to General Fund and Public Fund computer equipment and computer software expenses related to application development and technical services. The increase in the Opportunity Housing properties primarily from Battery

Lane, Alexander House, Paddington Square and other properties was nearly offset by a decrease in maintenance expenses from the three Manor properties, Shady Grove and Georgian Court, which are currently undergoing substantial rehabilitation.

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

The increase in total interest expense is due to the interest on the Battery Lane acquisition loan with Eagle Bank, accrued interest on MV Gateway II LLC mezzanine loan and Bradley Crossing's Eagle Bank loan, partly reduced by the sale of the three Manor properties, Georgian Court and Shady Grove. The Single Family Bond Fund increased primarily due to the new bond issuance of Single Family Mortgage Revenue Bonds 2022 Series ABCD. The Multifamily Bond Fund also contributed to the increase mainly due to new bonds issued for Willow Manor, HOC at Georgian Court LLC and HOC at Shady Grove LLC, and Housing Production Fund in December 2021 and September 2021, along with the 2023 Series A for the permanent financing of the Upton II mortgage loan.

The decrease in fringe benefits is due to a decrease in Opportunity Housing Fund contracted managed benefits for third party managed properties as well a decrease in General Fund health care services, retired employee benefits and health insurance.

The decrease in other income net of other expense is primarily due to a decrease in the development fee income partially offset by a decrease in the Opportunity Housing properties mortgage insurance, incentive fees, COVID-19 expenses, and Cider Mill prior year adjustments.

Adjusted Operating Revenue

The revenues from operations, when adjusted for HAP income and unrealized loss on investments, decreased by $985,454 for the nine-month period ending March 31, 2023, when compared to the same period last year.

	FY 2023	FY 2022
Total Operating Revenue	$ 212,625,727	$ 204,109,507
Less:		
Housing Assistance Revenue	(97,580,780)	(92,390,896)
Unrealized Loss on Investments	4,663,639	8,975,429
Adjusted Total Operating Revenue	$ 119,708,586	$ 120,694,040
Amount of Increase (Decrease)	$ (985,454)	

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

Adjusted Operating Expenses

The operating expenses, when adjusted for HAP expense, increased by $2.6 million for the nine-month period ending March 31, 2023, when compared to the same period last fiscal year.

		FY 2023		FY 2022
Total Operating Expenses	$	221,342,692	$	212,025,513
Less:				
Housing Assistance Payments (HAP)		(100,039,347)		(93,362,323)
Adjusted Total Operating Expenses	$	121,303,345	$	118,663,190
Amount of Increase (Decrease)	$	2,640,155		

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

Non-operating Revenues (Expenses)

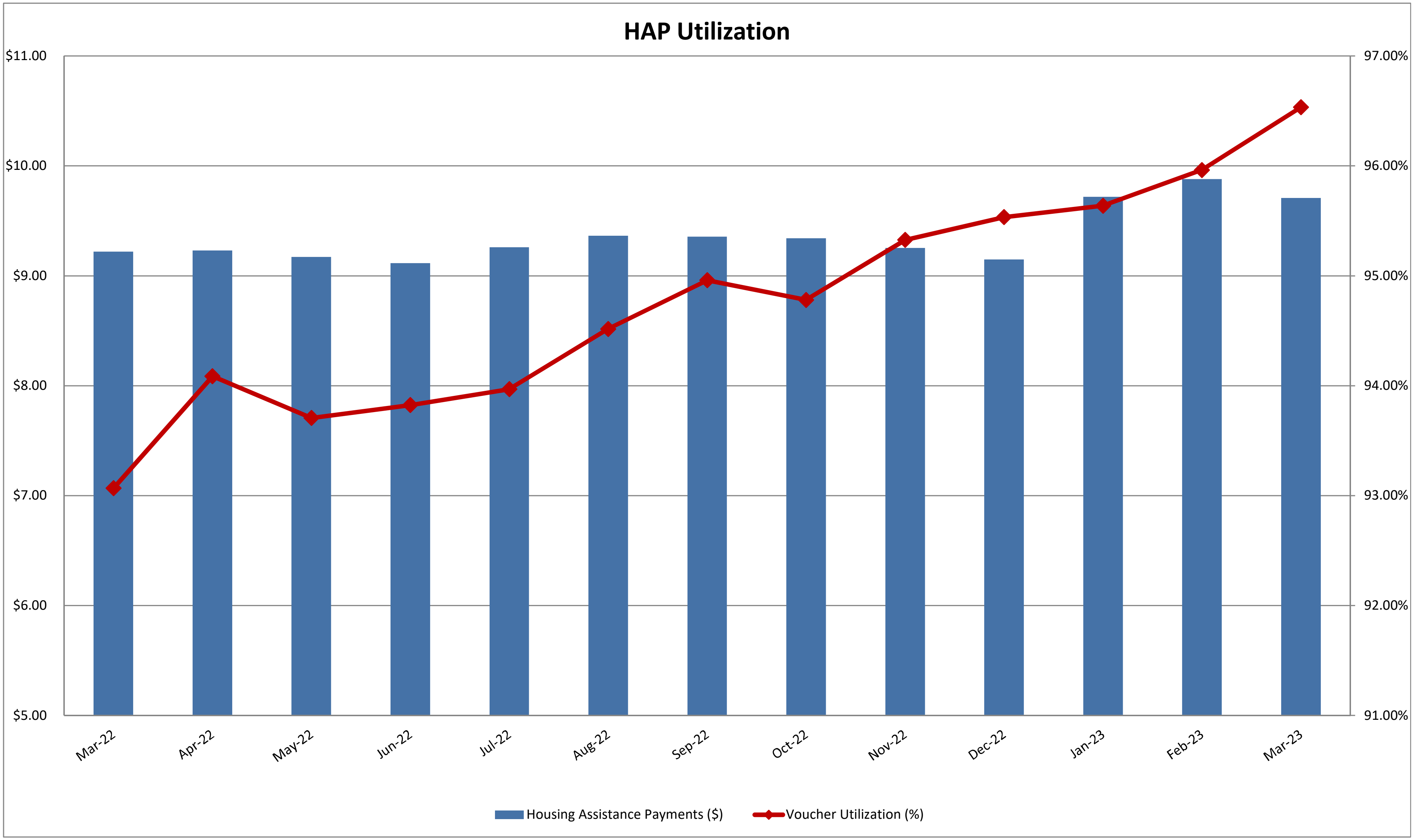
The non-operating net revenues amount to $3.8 million for the nine-month period ending March 31, 2023, as compared to a net income of $3.2 million for the same period last year, after adjusting for the gain on sale of assets from Shady Grove, Georgian Court and the three Manor properties. The increase in non-operating revenues is attributed to an increase in non-operating interest on mortgage and construction loans receivable, investment income, and other grants partially offset by an increase in non-operating interest expense.

		FY 2023		FY 2022
Total Non-Operating Revenues (Expenses)	$	3,794,525	$	72,410,616
Less:				
Gain/(Loss) on sale of assets-Non-operating		-		(69,193,317)
Adjusted Total Non-Operating Revenues (Expenses)	$	3,794,525	$	3,217,299
Amount of Increase (Decrease)	$	577,226		

Conclusion

Although the Commission's net position decreased by 1.9% during the first during the first nine (9) months of FY'23, this is an improvement of $2.9 million quarter over quarter. After adjusting the net income for the recording of capital contributions, unrealized loss on investment and gain on sale of assets, HOC ended the fiscal period with a more modest adjusted net loss of $258,801. This also is an improvement over last quarter's performance. Current and quick ratios remain strong. A large driver for fourth quarter performance will be the timing of commitment and development fees as well as property performance, specifically rent collection, deferred maintenance and utility costs.

	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
Housing Assistance Payments ($)	$9,218,962	$9,230,182	$9,171,244	$9,113,356	$9,258,785	$9,364,085	$9,355,907	$9,341,203	$9,252,794	$9,147,758	$9,717,671	$9,879,596	$9,708,264
Voucher Utilization (%)	93.07%	94.09%	93.71%	93.82%	93.97%	94.52%	94.96%	94.78%	95.33%	95.53%	95.64%	95.96%	96.53%
UNITS under LEASE	7,128	7,206	7,177	7,186	7,197	7,239	7,273	7,300	7,342	7,358	7,366	7,391	7,435
HUD Authorized BASE LINE	7,659	7,659	7,659	7,659	7,659	7,659	7,659	7,702	7,702	7,702	7,702	7,702	7,702



Housing Opportunities Commission of Montgomery County, Maryland
Combined Statements of Net Position
As of March 31, 2023 and June 30, 2022

	Note Num.	3/31/2023	6/30/2022	Dollar Variance	Percentage Variance
Assets and Deferred Outflows					
Current Assets					
Unrestricted:					
Cash and cash equivalents	-1.a.-	$ 130,097,493	$ 141,338,502	$ (11,241,009)	(7.95%)
Interfund receivable (payable)		-	-	-	
Advances to component units	-1.b.-	7,277,183	4,066,220	3,210,963	78.97%
Accounts receivable and other assets	-1.c.-	28,165,677	27,678,413	487,264	1.76%
Accrued interest receivable	-1.d.-	16,795,266	14,093,802	2,701,464	19.17%
Lease Receivable Current		1,305,017	1,305,017	-	0.00%
Mortgage and construction loans receivable	-1.e.-	11,699,508	13,157,945	(1,458,437)	(11.08%)
Total unrestricted current assets		195,340,144	201,639,899	(6,299,755)	(3.12%)
Restricted cash and cash equivalents and investments:					
Restricted cash and cash equivalents	-1.f.-	150,259,212	225,725,994	(75,466,782)	(33.43%)
Restricted short-term investments	-1.g.-	3,727,016	3,596,993	130,023	3.61%
Cash for current bonds payable	-1.h.-	28,412,822	40,703,219	(12,290,397)	(30.20%)
Customer deposits		6,233,717	5,608,621	625,096	11.15%
Total restricted cash and cash equivalents and investm		188,632,768	275,634,827	(87,002,059)	(31.56%)
Total current assets		383,972,912	477,274,726	(93,301,814)	(19.55%)
Noncurrent Assets					
Restricted long-term investments	-1.i.-	179,195,628	169,381,806	9,813,822	5.79%
Lease Receivable, Net of Current		8,296,033	8,296,033	0	0.00%
Mortgage and construction loans receivable	-1.e.-	706,582,693	651,531,537	55,051,156	8.45%
Capital assets, Being Depreciated, Net	-1.j.-	510,848,238	525,490,625	(14,642,387)	(2.79%)
Capital assets, Not Being Depreciated, Net	-1.j.-	160,259,505	155,654,459	4,605,046	2.96%
Right-to-Use Asset		536,556	536,556	(0)	(0.00%)
Derivative Asset		3,641,772	2,193,576	1,448,196	66.02%
Investment in Component Units	-1.k.-	37,108,008	35,860,438	1,247,570	3.48%
Total noncurrent assets		1,606,468,434	1,548,945,030	57,523,404	3.71%
Total Assets		1,990,441,346	2,026,219,756	(35,778,410)	(1.77%)
Deferred Outflows of Resources					
Derivative Instrument	-1.l.-	20,637,912	21,270,199	(632,287)	(2.97%)
Fair value of hedging derivatives	-1.l.-	-	1,727,682	(1,727,682)	(100.00%)
Employer -Related Pension Activities	-1.l.-	30,990,438	30,990,437	1	0.00%
Employer -Related OPEB Activities	-1.l.-	6,401,277	6,401,277	(0)	(0.00%)
		58,029,627	60,389,595	(2,359,968)	(3.91%)
Total Assets and Deferred Outflows		$ 2,048,470,973	$ 2,086,609,351	$ (38,138,378)	(1.83%)
Liabilities and Net Position					
Current Liabilities					
Accounts payable and accrued liabilities	-1.m.-	$ 24,587,948	$ 28,684,325	$ (4,096,377)	(14.28%)
Undrawn Mortgage Proceeds Payable	-1.n.-	17,498,472	68,050,006	(50,551,534)	(74.29%)
Accrued interest payable		10,127,193	9,389,990	737,203	7.85%
Loans payable to Montgomery County - current	-1.o.-	246,554	241,243	5,311	2.20%
Lease Payable Current		318,242	318,242	0	0.00%
Mortgage notes and loans payable - current	-1.p.-	6,154,300	26,091,520	(19,937,220)	(76.41%)
Total current unrestricted liabilities		58,932,709	132,775,326	(73,842,617)	(55.61%)
Current Liabilities payable from restricted assets:					
Customer deposit payable		5,260,960	4,575,032	685,928	14.99%
Accrued interest payable	-1.q.-	5,158,776	8,595,765	(3,436,989)	(39.98%)
Bonds payable - current	-1.r.-	21,314,165	31,988,733	(10,674,569)	(33.37%)
Total current liabilities payable from restricted assets		31,733,901	45,159,530	(13,425,629)	(29.73%)
Total current liabilities		90,666,610	177,934,856	(87,268,246)	(49.05%)
Noncurrent Liabilities					
Bonds payable	-1.r.-	746,051,444	741,557,113	4,494,331	0.61%
Mortgage notes and loans payable	-1.p.-	666,640,869	626,827,946	39,812,923	6.35%
Loans payable to Montgomery County	-1.o.-	92,338,016	87,549,922	4,788,094	5.47%
Lease Payable Net of Current		221,748	221,748	(0)	(0.00%)
Unearned Revenue	-1.s.-	39,270,094	34,702,518	4,567,576	13.16%
Escrow and other deposits		20,411,623	19,106,708	1,304,915	6.83%
Net Pension liability		32,216,643	32,216,643	0	0.00%
Net OPEB liability		16,573,820	16,573,819	1	0.00%
Derivative investment - hedging		-	1,727,682	(1,727,682)	(100.00%)
Total noncurrent liabilities		1,613,724,257	1,560,484,099	53,240,158	3.41%
Total Liabilities		1,704,390,867	1,738,418,955	(34,028,088)	(1.96%)
Deferred Inflows of Resources					
Derivative Instrument	-1.l.-	3,641,772	2,193,576	1,448,196	66.02%
Unamortized Lease Receivable	-1.l.-	9,582,722	9,582,722	(0)	(0.00%)
Unamortized Pension Net Difference	-1.l.-	23,992,290	23,992,290	0	0.00%
Unamortized OPEB Net Difference	-1.l.-	15,320,514	15,320,515	(1)	(0.00%)
Total Deferred Inflows of Resources		52,537,299	51,089,103	1,448,196	2.83%
Net Position					
Net investment in capital assets		(136,912,898)	(135,707,939)	(1,204,959)	0.89%
Restricted		110,230,035	107,507,873	2,722,162	2.53%
Unrestricted		318,225,670	325,301,359	(7,075,689)	(2.18%)
Total Net Position		291,542,807	297,101,293	(5,558,486)	(1.87%)
Total Liabilities and Net Position		$ 2,048,470,973	$ 2,086,609,351	$ (38,138,379)	(1.83%)

Housing Opportunities Commission of Montgomery County, Maryland
Combined Statements of Revenues and Expenses
As of March 31, 2023 and March 31, 2022

	Note Num.	3rd Qtr FY2023 3/31/2023	3rd Qtr FY2022 3/31/2022	Dollar Variance	Percentage Variance
Operating Revenues					
Dwelling rental	-1.aa.-	$ 76,674,019	$ 77,599,278	$ (925,259)	(1.19%)
Investment income	-1.bb.-	9,926,407	6,430,129	3,496,278	54.37%
Unrealized gains (losses) on investment	-1.cc.-	(4,663,639)	(8,975,429)	4,311,790	(48.04%)
Interest on mortgage and construction loans receivable	-1.dd.-	6,463,074	5,185,328	1,277,746	24.64%
Management fees and other income	-1.ee.-	5,277,052	10,317,905	(5,040,853)	(48.86%)
U.S. Department of Housing and Urban Development grants:					
Housing Assistance Payments (HAP)	-1.ff.-	97,580,780	92,390,896	5,189,884	5.62%
HAP administrative fees	-1.gg.-	8,317,031	7,770,139	546,892	7.04%
Other grants	-1.hh.-	4,709,045	4,024,084	684,961	17.02%
State and County grants	-1.ii.-	8,341,959	9,367,177	(1,025,218)	(10.94%)
Total operating revenues		**212,625,727**	**204,109,507**	**8,516,220**	4.17%
Operating Expenses					
Housing Assistance Payments (HAP)	-1.ff.-	100,039,347	93,362,323	(6,677,024)	(7.15%)
Administration	-1.jj.-	34,752,064	33,934,120	(817,944)	(2.41%)
Maintenance	-1.kk.-	19,870,513	21,491,552	1,621,039	7.54%
Depreciation and amortization		15,850,352	15,931,839	81,487	0.51%
Utilities	-1.ll.-	5,671,324	5,890,326	219,002	3.72%
Fringe benefits	-1.mm.-	8,892,155	9,251,824	359,670	3.89%
Interest expense	-1.nn.-	31,791,356	25,687,924	(6,103,432)	(23.76%)
Other expense	-1.oo.-	4,475,581	6,475,604	2,000,023	30.89%
Total operating expenses		**221,342,692**	**212,025,513**	**(9,317,179)**	(4.39%)
Operating income (loss)		**(8,716,965)**	**(7,916,006)**	**(800,959)**	10.12%
Nonoperating Revenues (Expenses)					
Investment Income		3,497,116	2,934,484	562,632	19.17%
Interest on mortgage and construction loans receivable		3,107,489	2,515,024	592,465	23.56%
Interest expense	-1.nn.-	(3,086,752)	(2,371,065)	(715,687)	30.18%
Other grants		276,672	138,855	137,817	99.25%
Gain/(Loss) on Sale of Assets		-	69,193,317	(69,193,317)	100.00%
Total nonoperating revenues (expense)		**3,794,525**	**72,410,616**	**(68,616,091)**	(94.76%)
Income (loss) before capital contributions		**(4,922,440)**	**64,494,610**	(69,417,050)	(107.63%)
Income (Loss) before contributions and transfers		**(4,922,440)**	**64,494,610**	(69,417,050)	(107.63%)
Transfer from Discrete Component Units		-	(44,231)	44,231	(100.00%)
Capital contributions/(dsitributions)		(636,046)	10,531	(646,577)	(6139.53%)
Net income (loss)		**(5,558,486)**	**64,460,910**	**(70,019,397)**	**(108.62%)**

Housing Opportunities Commission of Montgomery County

Combined Statement of Net Position

As of March 31, 2023

Assets	General Fund	Opportunity Housing Fund	Public Fund	Single Family Fund	Multi Family Fund	Elimination	3/31/2023 Total Funds with Elimination	6/30/2022 Total Funds with Elimination
Current Assets								
Unrestricted:								
Cash and Cash Equivalents	$ 44,127,698	$ 76,156,007	$ 7,704,351	$ -	$ 2,109,438	$ -	$ 130,097,493	$ 141,338,502
Interfund Receivable	-	11,786,235	6,671,036	163,880	355,825	(18,976,976)	-	-
Advances to Component Units	7,071,359	205,824	-	-	-	-	7,277,183	4,066,220
Accounts Receivable and Other Assets,Net	7,206,699	14,357,281	7,406,175	497,228	29,442	(1,331,146)	28,165,677	27,678,413
Accrued Interest Receivable	7,819,933	7,618,066	-	740,485	1,505,717	(888,935)	16,795,266	14,093,802
Lease Receivable - Current	-	1,305,017					1,305,017	1,305,017
Mortgage & Construction Loans Receivable, Current	5,445,042	1,433,970	-	6,018,186	10,722,829	(11,920,520)	11,699,508	13,157,945
Total Unrestricted Current Assets	**71,670,731**	**112,862,399**	**21,781,562**	**7,419,779**	**14,723,251**	**(33,117,577)**	**195,340,144**	**201,639,899**
Restricted Cash and Cash Equivalents nd Investments:								
Restricted Cash and Cash Equivalents	6,792,607	42,903,347	514,312	33,329,756	66,719,191	-	150,259,212	225,725,994
Restricted Short-Term Investments	-	-	-	3,727,016	-	-	3,727,016	3,596,993
Restricted for Current Bonds Payable	-	-	-	11,689,764	16,723,059	-	28,412,822	40,703,219
Restricted for Customer Deposits	-	3,464,086	2,769,631	-	-	-	6,233,717	5,608,621
Total Restricted Cash and Cash Equivalents for Investments	**6,792,607**	**46,367,433**	**3,283,943**	**48,746,536**	**83,442,250**	**-**	**188,632,768**	**275,634,827**
Total Current Assets	**78,463,338**	**159,229,832**	**25,065,504**	**56,166,315**	**98,165,501**	**(33,117,577)**	**383,972,912**	**477,274,726**
Noncurrent assets:								
Restricted Long - Term Investments	-	-	-	113,344,003	65,851,625	-	179,195,628	169,381,806
Lease Receivable - Net of Current		8,296,033	-				8,296,033	8,296,033
Mortgage & Construction Loans Receivable, Net of Current	506,754,138	185,273,780	2,005,615	29,424,651	489,648,486	(506,523,977)	706,582,693	651,531,537
Capital Assets, Being Depreciated, Net	3,387,786	503,753,328	3,707,124	-	-	-	510,848,238	525,490,625
Capital Assets, Not Being Depreciated	8,150,558	149,491,924	2,617,023				160,259,505	155,654,459
Right-to-Use Asset	536,556	-	-				536,556	536,556
Derivative Asset	-	2,684,441	-	549,859	407,472		3,641,772	2,193,576
Investment in Component Units	2,073,221	35,034,788	-	-	-	-	37,108,008	35,860,438
Total Noncurrent Assets	**520,902,259**	**884,534,294**	**8,329,762**	**143,318,513**	**555,907,583**	**(506,523,977)**	**1,606,468,434**	**1,548,945,030**
Deferred Outflows of Resources								
Derivative Instrument	-	20,637,912	-	-	-	-	20,637,912	21,270,199
Fair Value of Hedging Derivatives	-	-	-	-	-	-	-	1,727,682
Employer -Related Pension Activities	16,928,071	3,358,708	10,703,659	-	-	-	30,990,438	30,990,437
Employer -Related OPEB Activities	4,620,667	323,673	1,456,937	-	-	-	6,401,277	6,401,277
	21,548,737	**24,320,293**	**12,160,596**	**-**	**-**	**-**	**58,029,627**	**60,389,595**
Total Assets and Deferred Outflows	**620,914,334**	**1,068,084,419**	**45,555,862**	**199,484,827**	**654,073,084**	**(539,641,554)**	**2,048,470,973**	**2,086,609,351**

Housing Opportunities Commission of Montgomery County

Combined Statement of Net Position

As of March 31, 2023

Liabilities and Net Position	General Fund	Opportunity Housing Fund	Public Fund	Single Family Fund	Multi Family Fund	Elimination	3/31/2023 Total Funds with Elimination	6/30/2022 Total Funds with Elimination
Liabilities								
Current Liabilities								
Accounts Payable and Accrued Liabilities	9,351,538	14,636,687	1,508,945	325,261	96,662	(1,331,146)	24,587,948	28,684,325
Undrawn Mortgage Proceeds Payable	-	-	-	-	17,498,472	-	17,498,472	68,050,006
Interfund Payable	18,976,976	-	-	-	-	(18,976,976)	-	-
Accrued Interest Payable	-	11,016,127	-	-	-	(888,935)	10,127,193	9,389,990
Loans Payable to Montgomery County - Current	-	246,554	-	-	-	-	246,554	241,243
Lease Payable - Current	318,242	-	-	-	-	-	318,242	318,242
Mortgage Notes and Loans Payable-Current	4,246,627	13,828,194	-	-	-	(11,920,520)	6,154,300	26,091,520
Total Current Unrestricted Liabilities	**32,893,384**	**39,727,562**	**1,508,945**	**325,261**	**17,595,135**	**(33,117,577)**	**58,932,709**	**132,775,326**
Current Liabilities Payable from Restricted Assets:								
Customer Deposits Payable	-	2,912,762	2,348,198	-	-	-	5,260,960	4,575,032
.Accrued Interest Payable	-	-	-	1,454,882	3,703,894	-	5,158,776	8,595,765
Bonds Payable-Current	-	-	-	8,295,000	13,019,165	-	21,314,165	31,988,733
Total Current Liabilities Payable from Restricted Assets	**-**	**2,912,762**	**2,348,198**	**9,749,882**	**16,723,059**	**-**	**31,733,901**	**45,159,530**
Total Current Liabilities	**32,893,384**	**42,640,325**	**3,857,143**	**10,075,143**	**34,318,193**	**(33,117,577)**	**90,666,610**	**177,934,856**
Non-Current Liabilities								
Bonds Payable	-	-	-	165,370,562	580,680,883	-	746,051,444	741,557,113
Mortgage Notes and Loans payable	438,761,744	730,683,102	-	3,720,000	-	(506,523,977)	666,640,869	626,827,946
Loans payable to Montgomery County	29,075,224	63,262,792	-	-	-	-	92,338,016	87,549,922
Lease Payable Net of Current	221,748						221,748	221,748
Unearned Revenue	20,536,320	12,139,720	6,594,054	-	-	-	39,270,094	34,702,518
Escrow and Other Deposits	17,687,232	-	-	-	2,724,391	-	20,411,623	19,106,708
Net Pension liability	19,150,477	2,885,951	10,180,215	-	-	-	32,216,643	32,216,643
Net OPEB liability	7,254,792	931,303	8,387,724	-	-	-	16,573,820	16,573,819
Derivative Investment - Hedging	-	-	-	-	-	-	-	1,727,682
Total Noncurrent Liabilities	**532,687,537**	**809,902,867**	**25,161,994**	**169,090,562**	**583,405,274**	**(506,523,977)**	**1,613,724,257**	**1,560,484,099**
Total Liabilities	**565,580,921**	**852,543,192**	**29,019,137**	**179,165,705**	**617,723,467**	**(539,641,554)**	**1,704,390,867**	**1,738,418,955**
Deferred Inflows of Resources								
Derivative Instrument	-	2,684,441	-	549,859	407,472	-	3,641,772	2,193,576
Unamortized Lease Receivable	-	9,582,722	-	-	-	-	9,582,722	9,582,722
Unamortized Pension Net Difference	15,888,812	1,993,837	6,109,641	-	-	-	23,992,290	23,992,290
Unamortized OPEB Net Difference	8,736,288	1,168,662	5,415,565	-	-	-	15,320,514	15,320,515
Total Deferred Inflows of Resources	24,625,100	15,429,662	11,525,206	549,859	407,472	-	52,537,299	51,089,103
Net Position								
Net investment in Capital assets	11,538,344	(154,775,390)	6,324,147	-	-	-	(136,912,898)	(135,707,939)
Amounts Restricted for:								
Debt Service	-	42,903,347	-	19,769,264	33,832,707	-	96,505,317	99,157,634
Customer deposits and other	-	551,324	935,745	-	-	-	1,487,068	2,385,144
Closing cost assistance program and other	12,237,649	-	-	-	-	-	12,237,649	5,965,095
Unrestricted (deficit)	6,932,321	311,432,284	(2,248,372)	-	2,109,438	-	318,225,670	325,301,359
Total net position	**30,708,314**	**200,111,564**	**5,011,520**	**19,769,264**	**35,942,145**	**-**	**291,542,807**	**297,101,293**
Total Liabilities, Deferred Inflows and Net Position	**620,914,334**	**1,068,084,418**	**45,555,862**	**199,484,827**	**654,073,084**	**(539,641,554)**	**2,048,470,972**	**2,086,609,351**

Housing Opportunities Commission of Montgomery County, Maryland

Combining Statement of Revenue and Expenses

For the Third Quarter Ended March 31, 2023 (with comparative totals for the Third Quarter Ended March 31, 2022)

	General Fund	Opportunity Housing Fund	Public Fund	Single Family Fund	Multi Family Fund	Elimination	3/31/2023 Total Funds with Elimination	3/31/2022 Total Funds with Elimination
Operating Revenues								
Dwelling Rental	$ -	$ 76,078,412	$ 595,606	$ -	$ -	$ -	$ 76,674,019	$ 77,599,278
Investment Income	-	-	-	4,259,357	5,667,050	-	9,926,407	6,430,129
Unrealized Gains (Losses) on Investments	-	-	-	(4,211,628)	(452,011)	-	(4,663,639)	(8,975,429)
Interest on Mortgage & Construction Loans Receivable	-	-	-	1,124,540	10,771,607	(5,433,073)	6,463,074	5,185,328
Management Fees and Other Income	12,354,384	1,135,483	161,562	-	-	(8,374,377)	5,277,052	10,317,905
U.S. Department of Housing and Urban								
Developement Grants:								
Housing Assistance Payments (HAP)	-	-	97,580,780	-	-	-	97,580,780	92,390,896
HAP Administrative Fees	-	-	8,317,031	-	-	-	8,317,031	7,770,139
Other Grants	680,147	-	4,028,898	-	-	-	4,709,045	4,024,084
State and County Grants	-	-	8,341,959	-	-	-	8,341,959	9,367,177
Total Operating Revenues	**13,034,531**	**77,213,895**	**119,025,836**	**1,172,269**	**15,986,646**	**(13,807,450)**	**212,625,727**	**204,109,507**
Operating Expenses								
Housing Assistance Payments	-	-	100,039,347	-	-	-	100,039,347	93,362,323
Administration	11,900,055	11,901,876	14,299,470	1,004,032	1,894,278	(6,247,649)	34,752,064	33,934,120
Maintenance	1,322,053	18,499,593	48,867	-	-	-	19,870,513	21,491,552
Depreciation and amortization	267,537	15,566,103	16,713	-	-	-	15,850,352	15,931,839
Utilities	159,368	5,224,109	287,847	-	-	-	5,671,324	5,890,326
Fringe Benefits	4,064,981	2,139,120	2,359,846	117,581	210,627	-	8,892,155	9,251,824
Interest expense	-	21,049,262	-	3,625,707	12,549,460	(5,433,073)	31,791,356	25,687,924
Other Expense	1,159,373	4,628,219	814,717	-	-	(2,126,728)	4,475,581	6,475,604
Total operating expenses	**18,873,367**	**79,008,282**	**117,866,807**	**4,747,320**	**14,654,366**	**(13,807,450)**	**221,342,692**	**212,025,513**
Operating Income (loss)	**(5,838,836)**	**(1,794,387)**	**1,159,029**	**(3,575,051)**	**1,332,280**	**-**	**(8,716,965)**	**(7,916,006)**
Nonoperating Revenues (Expenses)								
.Investment Income	1,430,701	2,023,332	43,083	-	-	-	3,497,116	2,934,484
.Interest on Mortgage and Construction Loans Receivable	9,571,035	676,506	-	-	-	(7,140,052)	3,107,489	2,515,024
.Interest Expense	(9,594,517)	(632,287)	-	-	-	7,140,052	(3,086,752)	(2,371,065)
Other Grants	-	276,672	-	-	-	-	276,672	138,855
Gain/(Loss) on Sale of Assets	-	-	-	-	-	-	-	69,193,317
Total nonoperating revenues (expenses)	**1,407,219**	**2,344,223**	**43,083**	**-**	**-**	**-**	**3,794,525**	**72,410,616**
Income (loss) before capital contributions and transfers	**(4,431,617)**	**549,836**	**1,202,112**	**(3,575,051)**	**1,332,280**	**-**	**(4,922,440)**	**64,494,610**
Transfer To/(From) Discrete Component Units	-		-	-	-	-	-	(44,231)
Capital contributions/(distributions)		(636,046)	-	-		-	(636,046)	10,531
Operating transfers in (out)	(21,916)	21,916	-	-		-	(0)	-
Change in Net Position	**$ (4,453,533)**	**(64,294)**	**$ 1,202,112**	**$ (3,575,051)**	**$ 1,332,280**	**$ -**	**$ (5,558,487)**	**$ 64,460,910**

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND

(A Component Unit of Montgomery County, Maryland)

Notes to Financial Statements

March 31, 2023

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

		FY'23	FY'22	Dollar Variance	Percentage Variance
1.a	**Cash and Cash Equivalents**	**130,097,493**	**141,338,502**	**(11,241,009)**	**(7.95%)**

The decrease in cash and cash equivalents is mainly attributed to a decrease in General Fund due to the payment of FY2023 commercial liability insurance, property taxes and Yardi annual license and maintenance for Yardi Saas private cloud system, a decrease in Opportunity Housing Reserve Fund ("OHRF"), and an increase in advances to several component units due to timing (note 1.b). The decrease in OHRF is largely due to bridge financing for HOC at Shady Grove LLC and Hillandale Gateway LLC predevelopment expenses and funding of HOC at CCL Multifamily-Member equity contribution. The decrease is partly reduced by an increase in unrestricted cash at the property level, primarily The Metropolitan, Westwood Tower, Bradley Crossing LLC ("Bradley Crossing"), Paddington Square Dev. Corp. ("Paddington"), Pooks Hill Dev. Corp. ("Pooks Hill"), HOC at Battery Lane LLC ("Battery Lane") and TPP-Timberlawn.

1.b	**Advances to Component Units**	**7,277,183**	**4,066,220**	**3,210,963**	**78.97%**

The increase in the advances to component units is primarily attributed to the timing of the payment and the reimbursement of capital and operating expenditures at several properties through the Central Disbursement System. Major contributors consist of South County Regional Recreation and Aquatic Center ("SCRRAC"), Elizabeth House III LP ("EH III/The Leggett"), HOC at the Upton II LLC ("Residences on the Lane"), CCL Multifamily LLC ("The Lindley"), HOC at Willow Manor LLC ("Willow Manor"), as well as Waverly House RAD LP, Arcola Towers RAD LP ("Arcola"), and Town Center Apartments. This increase is partially offset by a decrease at Bauer Park Apartments LP ("Bauer Park"), Hillandale Gateway LLC, HOC at Stewartown LLC ("Stewartown"), and HOC at 11250 Veirs Mill Road LLC.

1.c	**Accounts Receivable and Other Assets**	**28,165,677**	**27,678,413**	**487,264**	**1.76%**

The increase is mainly due to prepaid expenses under both the General Fund ("GF") and Opportunity Housing ("OH") Fund as well as an increase in rent subsidies receivables at VPC One, VPC Two, Magruder's, Holly Hall RAD Interim Property and Chelsea Towers. The increase in OH Fund and General Fund is partially offset by a decrease in Public Fund ("PF") attributed to the receipt of the Community Development Block Grant ("CDBG") Rental Assistance from the County that was accrued in FY'22 partly offset by an increase in receivables from the County Main Grant and HCV Incoming Portables.

1.d	**Accrued Interest Receivable**	**16,795,266**	**14,093,802**	**2,701,464**	**19.17%**

The increase in the accrued interest receivable is mainly driven by interests on Seller Notes from Alexander House LP, HOC at Stewartown Homes LLC, HOC at Georgian Court LLC and HOC at Shady Grove LLC, Greenhills LP, Arcola and Waverly.

1.e	**Mort. & Const. Loans Receivable-Current**	**11,699,508**	**13,157,945**	**(1,458,437)**	**(11.08%)**
1.e	**Mort. & Const. Loans Receivable-Non-Current**	**706,582,693**	**651,531,537**	**55,051,156**	**8.45%**
	Total	**718,282,201**	**664,689,482**	**53,592,719**	**8.06%**

The increase in total mortgage and construction loans receivable is attributable to additional PNC Real Estate Line of Credit ("RELOC") draws for EH III/The Leggett, HOC at Upton II ("Upton/The Residence Lane"), HOC at Willow Manor LLC, HOC at Stewartown LLC, HOC at Shady Grove LLC, Hillandale Gateway LLC, and the Wheaton Gateway development.

1.f	**Restricted Cash & Cash Equivalents**	150,259,212	225,725,994	(75,466,782)	(33.43%)

The decrease in the restricted cash and cash equivalents is mainly due to a decrease in the undrawn bond proceeds within the Multifamily Bond Fund.

1.g	**Restricted Short-term Investments**	3,727,016	3,596,993	130,023	3.61%

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

1.h	**Cash for Current Bonds Payable**	28,412,822	40,703,219	(12,290,397)	(30.20%)

The decrease in the cash restricted for current bonds payable is largely attributed to the Single Family Bond Fund due to a decrease in current maturing bonds payable.

1.i	**Restricted Long-term Investments**	179,195,628	169,381,806	9,813,822	5.79%

The increase is mainly due to mortgage-backed securities purchases under the 2022 Single Family Mortgage Revenue Bond Series ABCD ("SFMRB 2022-ABCD").

1.j	**Capital Assets, Being Depreciated, Net**	510,848,238	525,490,625	(14,642,387)	(2.79%)
1.j	**Capital Assets, Not Being Depreciated, Net**	160,259,505	155,654,459	4,605,046	2.96%
	Total	671,107,743	681,145,084	(10,037,341)	(1.47%)

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

1.k	**Investment in Component Units**	37,108,008	35,860,438	1,247,570	3.48%

The increase in investment in component units is largely attributed to HOC's additional equity contributions to The Lindley due to the exit and replacement of the previous investor.

1.l	**Deferred Outflows-Derivative Instrument**	20,637,912	21,270,199	(632,287)	(2.97%)
1.l	**Deferred Outflows-Fair Value of Hedging Derivatives**	-	1,727,682	(1,727,682)	(100.00%)
1.l	**Deferred Outflows-Pension Activities**	30,990,438	30,990,438	(0)	0.00%
1.j	**Deferred Outflows-OPEB Activities**	6,401,277	6,401,277	(0)	(0.00%)
	Total	58,029,627	60,389,596	(2,359,969)	(3.91%)

As of March 31, 2023, 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 ($549,859) in the Single Family Bond Fund, ($407,472) in the Multifamily Bond Fund and ($2,684,441) in the Opportunity Housing Fund which is made up of ($1,060,512) Upton II construction Loan and ($1,623,929) Elizabeth House III.

The interest swaps on The Lindley and Alexander House were terminated on September 8, 2019, which required HOC to make a swap termination payment of $12,701,474 and $12,590,000, respectively. These payments are included in the deferred outflows, hedging derivatives and are being amortized to interest expense on a straight-line basis over the 40-year term of the first mortgage loans with the Federal Financing Bank. The unamortized balance of the swap termination payment is $20,637,912 reported as deferred outflows of resources as of March 31, 2023.

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).

1.m	**Accounts Payable and Accrued Liabilities**	**24,587,948**	**28,684,325**	**(4,096,377)**	**(14.28%)**

The decrease in accounts payable and accrued liabilities is mainly due to the payment of arbitrage rebate liability under the Single Family Mortgage Revenue Bonds 2013 Series AB, excess HCV Cares Act funds and accrued MIP/FHA share to HUD as well as payment of various accrued invoices.

1.n	**Undrawn Mortgage Proceeds payable**	**17,498,472**	**68,050,006**	**(50,551,534)**	**(74.29%)**

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

1.o	**Loans Payable to Montgomery Co-Current**	**246,554**	**241,243**	**5,311**	**2.20%**
1.o	**Loans Payable to Montgomery Co-Non-Current**	**92,338,016**	**87,549,922**	**4,788,094**	**5.47%**
	Total	**92,584,570**	**87,791,165**	**4,793,405**	**5.46%**

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

1.p	**Mortgage Notes & Loans Payable-Current**	**6,154,300**	**26,091,520**	**(19,937,220)**	**(76.41%)**
1.p	**Mortgage Notes & Loans Payable-Non-Current**	**666,640,869**	**626,827,946**	**39,812,923**	**6.35%**
	Total	**672,795,169**	**652,919,466**	**19,875,703**	**3.04%**

The increase in total mortgage notes and loans payable is attributed primarily to additional RELOC draws for EH III/The Leggett, HOC at Willow Manor LLC, HOC at Stewartown Homes LLC, HOC at Garnkirk Farms, Wheaton Gateway and HOC Fenwick & Second Headquarters. Furthermore, $3.7 million was drawn from the $60 million PNC Line of Credit ("LOC") for Single Family bond redemption. This increase is partially offset by the repayment of the RELOC and LOC advances for Brooke Park Apartments and Year 15 LIHTC.

1.q	**Accrued Interest Payable - Restricted**	**5,158,776**	**8,595,765**	**(3,436,989)**	**(39.98%)**

The decrease in restricted accrued interest payable is mainly driven by Multifamily Bond Fund scheduled interest payments to bondholders.

1.r	**Bonds Payable - Current**	**21,314,165**	**31,988,733**	**(10,674,569)**	**(33.37%)**
1.r	**Bonds Payable - Non-Current**	**746,051,444**	**741,557,113**	**4,494,331**	**0.61%**
	Total	**767,365,609**	**773,545,846**	**(6,180,237)**	**(0.80%)**

The decrease in the total outstanding bonds payable is largely due to a decrease in the Single Family Bond Fund partially offset by an increase in the Multifamily Bond Fund. The Single Family Bond Fund redeemed and retired bonds for $18.0 million under the 1979 Indenture, $4.9 million under the 2019 Indenture and $2.5 million under the 2009 Indenture. The Multifamily Bond Fund redeemed and retired bonds for $9.1 million under the Multifamily Housing Development Bonds (1996 Indenture) and $0.6 million under the Stand Alone 1998 Issue. Bond defeasance related to 1994 Strathmore Issue for ($0.5) million was retired as well. The increase under the Multifamily Bond Fund is partially offset by a $28.5 million new bond issued under the Multifamily Housing Development Bonds ("MHDB") 2023 Series A for the Upton II permanent financing.

1.s	**Unearned Revenue**	**39,270,094**	**34,702,518**	**4,567,576**	**13.16%**

The increase in the deferred revenue is attributable to the receipt of additional Rental Assistance from the County under the Housing Initiative Fund ("HIF") Rental Arrearage Assistance Program 1&2 and advance funding for the County Main Grant. The excess monthly remittance to the trustee from properties with Federal Financing Bank loans to pay for the Loan Management Fees, Mortgage Insurance Premium and Trustee fees contributed to the increase as well.

1.aa	**Dwelling Rental**	**76,674,019**	**77,599,278**	**(925,259)**	**(1.19%)**

The decrease in dwelling rental income is attributed to Shady Grove Apartments LP ("Shady Grove"), the three Manor properties (The Manor at Fair Hill Farms LLC, The Manor at Clopper's Mill LLC & The Manor at Colesville LLC), and Georgian Court Silver Spring LP ("Georgian Ct"), which were sold to special purpose entities in December 2021. The decrease in FY'23 rental income is partially offset by additional rent from HOC at Battery Lane, LLC and HOC at Avondale, LLC properties, which were acquired in June 2022 and March 2022, respectively. Furthermore, the other properties' rent revenues increased as well including Bradley Crossing, Alexander House, Westwood Towers, and VPC Two. Bad debt expense for the nine-month period July 2022 to March 2023 amounts to about $2.3 million. As of March 31, 2023, the tenant receivable balance has increased by $2,533,098 from June 30, 2022, totaling $10,330,068. 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**	**9,926,407**	**6,430,129**	**3,496,278**	**54.37%**

The increase in the investment income is largely due to Housing Production Fund ("HPF") Series 2021 Limited Obligation Bonds and MHDB 2021 Series ABCD bonds related to the Multifamily Bond Fund, and MRB 2021 Series ABCD and 2022 Series ABCD related to the Single Family Bond Fund as well as the higher interest rate compared to the previous year.

1.cc	**Unrealized Gains (Losses) on Investments**	**(4,663,639)**	**(8,975,429)**	**4,311,790**	**(48.04%)**

Unrealized gains (losses) on investment reflect the hypothetical gains and/or losses on investments HOC would have experienced 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.

1.dd	**Interest on Mortg. & Const. Loans Receivable**	**6,463,074**	**5,185,328**	**1,277,746**	**24.64%**

The increase in interest on mortgage and construction loans receivable is primarily due to an increase in the MHDB 2021 Series CD mortgage loan receivable balance in the Multifamily Bond Fund.

1.ee	**Management Fees & Other Income**	**5,277,052**	**10,317,905**	**(5,040,853)**	**(48.86%)**

The decrease in management fees and other income is primarily driven by a decrease in development fee income.

1.ff	**Housing Assistance Payments-Revenue**	**97,580,780**	**92,390,896**	**5,189,884**	**5.62%**
1.ff	**Housing Assistance Payments-Expense**	**100,039,347**	**93,362,323**	**6,677,024**	**7.15%**

The Housing Assistance Payments (HAP) – revenue increased under the HCV Main Program, Emergency Housing Vouchers, HCV Incoming Portables, Mainstream Program, and Incremental Housing Choice Vouchers, partly offset by a decrease in earned HAP revenue under the COVID-19 HCV Main Program and HCV Elizabeth House III. The increase in HAP expense is mainly due to increased leasing and leasing costs within the HCV Main Program, Emergency Housing Vouchers, HCV Incoming & Outgoing Portables, Non-Elderly Persons with disabilities, and HCV Upton II, partly offset by a decrease in HCV VPC One Dev. Corp., HCV VPC Two Dev. Corp., COVID-19 HCV Main Program, Designated Plan Vouchers, and 2017 Mainstream Program.

1.gg	**HAP Administrative Fees-Income**	**8,317,031**	**7,770,139**	**546,892**	**7.04%**

The increase in HAP administrative fees-income is due to an increase in leasing and proration factor.

1.hh	**Other Grants**	**4,709,045**	**4,024,084**	**684,961**	**17.02%**

The increase in other grants is primarily due to the general fund FEMA reimbursement for COVID-19 relief.

1.ii	**State and County Grants**	**8,341,959**	**9,367,177**	**(1,025,218)**	**(10.94%)**

The decrease in state and county grants is driven by the decrease in the Capital Improvement Program ("CIP") and County Main-Public Housing Program, partially offset by an increase in the County Main Programs.

1.jj	**Administration**	**34,752,064**	**33,934,120**	**817,944**	**2.41%**

The increase in administrative expense is primarily driven by the Public Fund and General Fund expenses. The Public Fund expenses increased mainly due to administrative salaries, on-line information services, and tenant housing rent, partly offset by a decrease in the COVID 19 Main Program (HAP and Admin).The increase in the General Fund is mainly due to the administrative salaries, division awards, temporary agency services, and online information services. This increase is partly offset by a net decrease in the Opportunity Housing Fund mainly due to cost of issuance, contract administrative salaries and legal services.

1.kk	**Maintenance**	**19,870,513**	**21,491,552**	**(1,621,039)**	**(7.54%)**

The decrease in maintenance expense is mainly due to General Fund and Public Fund computer equipment and computer software expenses related to application development and technical services. The increase in the Opportunity Housing properties primarily from Battery Lane, Alexander House, Paddington Square, and other properties was nearly offset by a decrease in maintenance expenses from the three Manor properties, Shady Grove and Georgian Court.

1.ll	**Utilities**	**5,671,324**	**5,890,326**	**(219,002)**	**(3.72%)**

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

1.mm	**Fringe Benefits**	**8,892,155**	**9,251,824**	**(359,670)**	**(3.89%)**

The decrease in fringe benefits is due to a decrease in Opportunity Housing Fund contracted managed benefits for third party managed properties as well a decrease in General Fund health care services, retired employee benefits and health insurance.

1.nn	**Interest Expense - Operating**	**31,791,356**	**25,687,924**	**6,103,432**	**23.76%**
1.nn	**Interest Expense - Non-Operating**	**3,086,752**	**2,371,065**	**715,687**	**30.18%**
	Total	**34,878,109**	**28,058,989**	**6,819,119**	**24.30%**

The increase in total interest expense is due to the interest on the Battery Lane acquisition loan with Eagle Bank, accrued interest on MV Gateway II LLC mezzanine loan and Bradley Crossing's Eagle Bank loan, partly reduced by the sale of the three Manor properties, Georgian Court and Shady Grove. The Single Family Bond Fund increased primarily due to the new issuance of Single Family MRB 2022 Series ABCD bonds. The Multifamily Bond Fund also contributed to the increase mainly due to new bond issued for Willow Manor, HOC at Georgian Court LLC and HOC at Shady Grove LLC, and HPF in December 2021 and September 2021, along with the 2023 Series A issuance to fund the permanent mortgage loan for Upton II (Residences on the Lane).

1.oo	**Other Expense**	**4,475,581**	**6,475,604**	**(2,000,023)**	**(30.89%)**

The decrease in other expense is primarily due to a decrease in the Opportunity Housing properties mortgage insurance, incentive fees, COVID-19 expenses, building insurance and Cider Mill prior year adjustments, partially offset by an increase in fire and hazard insurance, and security contracts.

M E M O R A N D U M

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

VIA: Chelsea Andrews Executive Director

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

RE: **Uncollectible Tenant Accounts Receivable**: Presentation of Request to Write-off Uncollectible Tenant Accounts Receivable (January 1, 2023 – March 31, 2023)

DATE: May 19, 2023

BACKGROUND:

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

The last approved write-off of former tenant accounts receivable balances on March 8, 2023 was for $49,256, which covered the three-month period from October 1, 2022 through December 31, 2022 (the second quarter of fiscal year 2023).

The proposed write-off of former tenant accounts receivable balances for the third quarter of fiscal year 2023, covering January 1, 2023 through March 31, 2023, is $76,237.

The $76,237 third quarter write-off is attributable to former tenants within HOC's Opportunity Housing properties, Supportive Housing properties, and LITHC/RAD properties. The primary reasons for the write-offs across the properties include tenants who passed away, left due to a job transfer, needed more space, purchased a home, skipped, voluntarily vacated their units and transferred to a different program.

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

Property Type	Current Write-offs 01/01/23 - 03/31/23	Prior Write-offs 10/01/22 - 12/31/22	$ Change 01/01/23 - 03/31/23	% Change 01/01/23 - 03/31/23	Fiscal Year 2023 Year-to-Date 07/01/22 - 03/31/23	Fiscal Year 2022 Year-to-Date 07/01/21 - 03/31/22
Opportunity Housing	53,546	14,669	38,877	265.03%	80,869	173,410
Supportive Housing	11,393	30,342	(18,949)	-62.45%	41,735	11,993
RAD Properties	11,298	104	11,194	10763.46%	11,402	33,440
236 Properties	-	4,141	(4,141)	-100.00%	4,141	2,762
	$ 76,237	**$ 49,256**	**$ 26,981**	**54.78%**	**$ 138,147**	**$ 221,605**

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

Opportunity Housing Fund

	Current Write-offs 01/01/23 - 03/31/23	Prior Write-offs 10/01/22 - 12/31/22	$ Change 01/01/23 - 03/31/23	% Change 01/01/23 - 03/31/23	Fiscal Year 2023 Year-to-Date 07/01/22 - 03/31/23	Fiscal Year 2022 Year-to-Date 07/01/21 - 03/31/22
Opportunity Housing (OH) Fund						
Avondale	$ 1,359	$ -	$ 1,359	0.00%	$ 1,359	$ 2,663
Brooke Park Apts	-	-	-	0.00%	-	1,318
Camp Hill Square	1,826	-	1,826	0.00%	1,826	-
Jubilee - Hermitage	-	-	-	0.00%	-	346
Magruders Discovery	-	9,560	(9,560)	-100.00%	9,560	-
McHome	-	-	-	0.00%	-	8,392
MHLP IX - MPDU	1,209	-	1,209	0.00%	1,209	3,203
MHLP VII	-	-	-	0.00%	-	1,475
MHLP VIII	-	-	-	0.00%	-	37
MHLP X	-	-	-	0.00%	-	15,134
MPDU I/64	-	-	-	0.00%	800	41,084
NCI-1 - 13304 Lydia St	-	-	-	0.00%	-	524
Paintbranch	-	-	-	0.00%	153	-
Scattered Site One Dev Corp	7,313	-	7,313	0.00%	18,153	73,404
Scattered Site Two Dev Corp	3,810	-	3,810	0.00%	3,810	858
State Rental Partnership	2,966	-	2,966	0.00%	3,600	6,685
TPM Dev Corp - MPDU II (59)	-	769	(769)	-100.00%	769	4,035
VPC One Corp	26,623	4,340	22,283	513.43%	30,963	14,252
VPC Two Corp	8,440	-	8,440	0.00%	8,667	-
Total OH Fund	**$ 53,546**	**$ 14,669**	**$ 38,877**	**265.03%**	**$ 80,869**	**$ 173,410**

Within the Opportunity Housing portfolio, the $53,546 write-off amount was attributable to Avondale, Camp Hill Square, MHLP IX – MPDU, Scattered Site One Development Corp, Scattered Site Two Development Corporation, VPC One Corporation and VPC Two Corporation. The write-offs were due to one tenant who left due to a job transfer, one tenant who needed more space, four tenants who purchased a home, six tenants who voluntarily vacated their units and one who transferred to a different program.

Supportive Housing

	Current Write-offs 01/01/23 - 03/31/23	Prior Write-offs 10/01/22 - 12/31/22	$ Change 01/01/23 - 03/31/23	% Change 01/01/23 - 03/31/23	Fiscal Year 2023 Year-to-Date 07/01/22 - 03/31/23	Fiscal Year 2022 Year-to-Date 07/01/21 - 03/31/22
Supportive Housing						
McKinney X - HUD	$ 2,474	$ 15,621	$ (13,147)	-84.16%	$ 18,095	$ 11,993
McKinney XIV - HUD	8,919	14,721	(5,802)	-39.41%	23,640	-
Total Supportive Housing	**$ 11,393**	**$ 30,342**	**$ (18,949)**	**-62.45%**	**$ 41,735**	**$ 11,993**

Within the Supportive Housing program, there were two tenants who passed away and one tenant who transferred to a different program.

LIHTC/RAD Properties

	Current Write-offs 01/01/23 - 03/31/23	Prior Write-offs 10/01/22 - 12/31/22	$ Change 01/01/23 - 03/31/23	% Change 01/01/23 - 03/31/23	Fiscal Year 2023 Year-to-Date 07/01/22 - 03/31/23	Fiscal Year 2022 Year-to-Date 07/01/21 - 03/31/22
LIHTC/RAD Properties						
Arcola Towers LP	$ 4,741	$ -	$ 4,741	0.00%	$ 4,741	$ 3,409
Elizabeth House - Interim RAD	-	-	-	0.00%	-	1,324
RAD 6 - Sandy Spring	-	-	-	0.00%	-	46
RAD 6 - Seneca Ridge	-	-	-	0.00%	-	25,786
RAD 6 - Towne Centre Place	-	-	-	0.00%	-	2,691
RAD 6 - Washington Square	3,033	-	3,033	0.00%	3,033	-
Waverly House LP	3,524	104	3,420	3288.46%	3,628	184
Total RAD Properties	**$ 11,298**	**$ 104**	**$ 11,194**	**10763.46%**	**$ 11,402**	**$ 33,440**

Within the LITHC/RAD properties, there were three tenants who passed away, one tenant who skipped, one tenant who abandoned/vacated the unit and two tenants who voluntarily left their unit.

236 Properties

	Current Write-offs 01/01/23 - 03/31/23	Prior Write-offs 10/01/22 - 12/31/22	$ Change 01/01/23 - 03/31/23	% Change 01/01/23 - 03/31/23	Fiscal Year 2023 Year-to-Date 07/01/22 - 03/31/23	Fiscal Year 2022 Year-to-Date 07/01/21 - 03/31/22
236 Properties						
Town Center Apts	$ -	$ 4,141	$ (4,141)	-100.00%	$ 4,141	$ 2,762
Total 236 Properties	**$ -**	**$ 4,141**	**$ (4,141)**	**-100.00%**	**$ 4,141**	**$ 2,762**

Within the 236 properties, there were no write-offs to report in the third quarter of FY ’23.

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

Finance Write-Off and Recovery Procedures

1. After a tenant vacates, Resident Accounting (“RA”) receives clearance from HOC Property Management (“PM”) to post the deposit accounting in Yardi.

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

The next anticipated write-off will be for the fourth quarter of FY'23 covering April 1, 2023 through June 30, 2023. Upon approval, the write-offs will be processed through Yardi's write-off function with the tenant detail placed into the uncollectible accounts receivable database.

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 third quarter of fiscal year 2023, totaling $76,237?

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 May 19, 2023 Budget, Finance and Audit Committee meeting. For formal Commission action at the June 14, 2023 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 $76,237.

M E M O R A N D U M

TO:	Housing Opportunities Commission of Montgomery County Budget, Finance and Audit Committee
VIA:	Chelsea Andrews, Executive Director
FROM:	Staff: Timothy Goetzinger, Acting CFO Eugenia Pascual, Controller Claudia Wilson, Accounting Manager Niketa Patel, Accounting Manager
RE:	**Calendar Year 2022 Audits:** Presentation of Calendar Year 2022 Low Income Housing Tax Credit Partnerships and Limited Liability Company Audits
DATE:	May 19, 2023

BACKGROUND:

The Housing Opportunities Commission of Montgomery County ("HOC or Commission") is the Managing Partner in 17 Low Income Housing Tax Credit ("LIHTC") partnerships, which operate on a calendar year basis, requiring the preparation of audited financial statements for the period ending December 31, 2022. Sixteen (16) of the 17 LIHTC entities require the preparation of year-end audits for calendar year ("CY") 2022. One entity, Elizabeth House III LP, is currently under construction and does not yet require an annual audit.

HOC also has four (4) calendar year Limited Liability Company ("LLC") properties, CCL Multifamily LLC ("The Lindley"), Hillandale Gateway LLC, Wheaton Gateway LLC and HOC at West Side Shady Grove LLC. The CY2022 audits of CCL Multifamily LLC and HOC at West Side Shady Grove LLC are presented in this request. Hillandale Gateway LLC and Wheaton Gateway LLC are in pre-development phases and do not require an audit for CY2022.

For ease of review, the full list LIHTC and LLC entities that require an audit for the period ended December 31, 2022, is shown in the table that follows.

	Calendar Year 2022 Audit		
	Low Income Housing Tax Credit ("LIHTC")		
	Entity/Property Name	Units	Location
1	4913 Hampden Lane Limited Partnership (Lasko Manor)	12	Bethesda
2	900 Thayer limited Partnership (Fenton Silver Spring)	124	Silver Spring
3	Alexander House Limited Partnership	122	Silver Spring
4	Arcola Towers RAD Limited Partnership	141	Silver Spring
5	Bauer Park Apartments Limited Partnership	142	Rockville
6	Forest Oak Towers Limited Partnership	175	Gaithersburg
7	Greenhills Apartments Limited Partnership	78	Damascus
8	HOC at Georgian Court LLC	147	Silver Spring
9	HOC at Shady Grove LLC	144	Silver Spring/Aspen Hill
10	HOC at Stewartown Homes LLC	94	Montgomery Village
11	HOC at The Upton II LLC (Residences on the Lane)	150	Rockville
12	HOC At Willow Manor LLC	286	Silver Spring, Olney, Germantown
13	Spring Garden One Associates Limited Partnership	83	Silver Spring
14	Tanglewood and Sligo Limited Partnership	132	Silver Spring/Longbranch
15	Waverly House RAD Limited Partnership	158	Bethesda
16	Wheaton Metro Limited Partnership	53	Wheaton

	Limited Liability Company ("LLC")		
1	CCL Multifamily LLC	200	Chevy Chase
2	HOC at West Side Shady Grove LLC	268	Rockville/Shady Grove

The property audits for 12 CY2022 Tax Credit Partnerships, CCL Multifamily LLC, and HOC at West Side Shady Grove LLC have been finalized. They have received a standard unqualified audit opinion from the independent certified public accounting firms performing the audits. The audits for four LIHTC partnerships (900 Thayer LP, HOC at Stewartown Homes LLC, HOC at Willow Manor LLC and Spring Garden One Associates LP), are yet to be finalized and are awaiting investor approval of the final drafts. The final audits for these properties – all of which are expected to receive a standard unqualified audit opinion – will be added to the Commission packet for acceptance on June 14, 2023.

ISSUES FOR CONSIDERATION:

Does the Budget, Finance and Audit Committee wish to join the staff's recommendation to the Commission to accept the 12 CY 2022 Tax Credit Partnership, CCL Multifamily LLC and HOC at West Side Shady Grove LLC Audits?

BUDGET IMPACT:

There is no budget impact related to acceptance of the 12 CY 2022 Tax Credit Partnership, CCL Multifamily LLC and HOC at West Side Shady Grove LLC Audits.

TIME FRAME:

For discussion at the May 19, 2023 meeting of the Budget, Finance and Audit Committee. For formal Commission action at the June 14, 2023 Board meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Budget, Finance and Audit Committee join staff in its recommendation to the full Commission to accept the 12 CY 2022 Tax Credit Partnership, CCL Multifamily LLC and HOC at West Side Shady Grove LLC Audits.

April 1, 2023

To the Partners of
4913 Hampden Lane Limited Partnership:

We have audited the financial statements of 4913 Hampden Lane Limited Partnership (the "Partnership") as of and for the year ended December 31, 2022, and have issued our report thereon dated April 1, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted accounting standards, *Government Auditing Standards*, and the *Consolidated Audit Guide for Audits of HUD Programs,* which is adhered to by Maryland's Department of Housing and Community Development, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 2, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Partnership are described in Note 2 to the financial statements. The Partnership adopted accounting standards changes related to accounting for and disclosing leasing arrangements. Our opinion is not modified with respect to this matter. With respect to leases, FASB ASC 842 did not have a material impact on the financial statements. We noted no transactions entered into by the Partnership during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> Management's estimate of the depreciable lives and estimated residual value of property and equipment, the amortization period of deferred charges, and related party transactions are based on industry standards. We evaluated the key factors and assumptions used to develop the depreciable lives and estimated residual value of property and equipment, the amortization period of intangible assets, and related party transactions in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

> The disclosures of the notes payables, and related party transactions in Notes 5 and 6 to the financial statements are sensitive because they make up a large portion of the liabilities on the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

You have corrected all misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 1, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Partnership's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Partnership's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

The cash flow and distribution calculation, status of prior audit findings, questioned costs, and recommendations, mortgagor's (owner's) certification, and the managing agent's certification have not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we do not express an opinion or provide any assurance on them. We have read these schedules and have noted no material inconsistencies with the audited financial statements.

This information is intended solely for the use of the Partners and management of the Partnership and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Novogradac & Company LLP

NOVOGRADAC & COMPANY LLP

March 2, 2023

To the Partners
Alexander House Apartments Limited Partnership

We have audited the financial statements of Alexander House Apartments Limited Partnership for the year ended December 31, 2022, and have issued our report thereon dated March 2, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audits. We have communicated such information in our letter to you dated November 23, 2022. Professional standards also require that we communicate to you the following information related to our audits.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Alexander House Apartments Limited Partnership are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

> Management's estimate of the depreciation and amortization expense is based on their knowledge and experience in the industry. We evaluated the key factors and assumptions used to develop the depreciation and amortization expense in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audits

We encountered no significant difficulties in dealing with management in performing and completing our audits.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audits.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 2, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

<u>Other Matters</u>

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audits of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the board and management of Alexander House Apartments Limited Partnership and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

SC+H attest services, P.C.

Arcola Towers RAD Limited Partnership
(Entity name)
December 31, 2022
(Financial Statement Period End Date)
April 26, 2023
(Date of communication)
Timothy Goetzinger, CFO
(Name of person, persons or group to whom communication being made)

The Auditor's Communication With Those Charged With Governance

This communication is being provided to you in connection with our audit of Arcola Towers RAD Limited Partnership's 2022 financial statements. This communication reflects those matters that are, in our professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process.

General

Those charged with governance

Those charged with governance means the person or persons with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process. In some cases, those charged with governance are responsible for approving the entity's financial statements (in other cases management has this responsibility). For entities with a board of directors, this term encompasses the term board of directors or audit committee used elsewhere in generally accepted auditing standards.

Management

Management means the person or persons responsible for achieving the objectives of the entity and who have the authority to establish policies and make decisions by which those objectives are to be pursued. Management is responsible for the financial statements, including designing, implementing, and maintaining effective internal control over financial reporting.

Where the general partner or managing member owns the management company we consider those charged with governance and management to be the same people. As a result, we would normally suggest that this form be provided to the person who signed our engagement letter with a request that it be shared with other owners as appropriate. However, as indicated below, it is not necessary to repeat previous communications. If those charged with governance are involved in managing the entity, this will be indicated below.

We are responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of those charged with governance are presented fairly, in all material respects, in conformity with the entity's financial reporting framework. These responsibilities have been communicated to you through our engagement letter.

Timing of the audit

We perform certain procedures at an interim date. These procedures include planning, risk assessment, obtaining and understanding of internal controls, tests of compliance, where applicable, and limited substantive tests. The bulk of our substantive procedures are performed at year end. The timing of the audit is discussed verbally with management in order to facilitate the audit. The exact procedures are not communicated to ensure the effectiveness is not compromised.

Significant risks of material misstatement

Whenever we identify significant risks of material misstatement we extend our procedures. Our process for identification of risks of material misstatement include assessing fraud opportunities, internal controls, the accounting issues faced by the entity and the entity's expertise and experience relative to such issues. Such issues include such items as impairment, going concern considerations, recording the building cost following acquisition or cost certification, involuntary conversions, derivatives and changes in management companies. In the event one or more of these items is encountered we will be required to perform additional auditing procedures which will likely result in additional cost of the audit which cannot be avoided. When such additional auditing is required we will communicate such matters to you as part of our communication of significant matters encountered during the audit.

Our approach is to obtain an understanding of internal controls and to determine whether key internal controls that might affect our audit procedures have been implemented. We do not typically perform tests to determine the effectiveness of internal controls unless we are required to report on internal controls for regulatory purposes or we believe such tests will improve our efficiency.

Materiality

We use a calculated materiality limit in designing the extent of our tests. This materiality limit takes into consideration to amount of total assets and total revenues of the entity. In planning our tests we use various thresholds based on a percentage of the calculated materiality.

Internal audit function

It is our understanding that the entity does not have an internal audit function.

Accounting practices

<u>Existing accounting practices</u>

We have no comments to make on existing practices.

<u>Newly adopted accounting practices</u>

Newly adopted accounting practices were adopted. They are considered appropriate for the entity.

As disclosed in the financials, new accounting guidance related to Leases (Topic 842) was implemented during the current year.

Significant difficulties

No significant difficulties were encountered during the audit.

Uncorrected misstatements

Schedule of uncorrected misstatements provided to management separately. None of the uncorrected misstatements were material in our judgment.

Disagreements with management

No disagreements with management occurred.

Other findings or issues

No other findings or issues were encountered that we wish to communicate.

Independence

Generally accepted auditing standards require independence for all audits. Relevant matters to consider in reaching a conclusion about independence include circumstances or relationships that create threats to auditor independence and the related safeguards that have been applied to eliminate those threats or reduce them to an acceptable level.

We have maintained our independence throughout the period under audit and during the course of performing our audit in accordance with the rules set forth by the AICPA. Where required, we have also met the independence requirements of any other regulatory bodies that have oversight of the audit function.

We may also perform non-audit services for the entity audited. However, such services have not impaired our independence with respect to the audit and our performance of such non-audit services have been previously communicated.

We have no other matters to communicate to you on independence.

Restricted use of communication

This communication is intended solely for the information and use of those charged with governance and, if appropriate, management and is not intended to be and should not be used by anyone other than those specified parties.

Questions or further discussion

If you have any questions or wish to discuss any matters communicated further please contact the representative below.

Lucas Matesa, CPA
(Name of CohnReznick representative to contact)

NOVOGRADAC & COMPANY LLP®

April 24, 2023

To the Partners of
Bauer Park Apartments, LP:

We have audited the financial statements of Bauer Park Apartments, LP (the "Partnership") as of and for the year ended December 31, 2022, and have issued our report thereon dated April 24, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated November 3, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Partnership are described in Note 2 to the financial statements. The Partnership adopted accounting standards changes related to accounting for and disclosing leasing arrangements. Our opinion is not modified with respect to this matter. With respect to leases, FASB ASC 842 did not have a material impact on the financial statements. We noted no transactions entered into by the Partnership during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> Management's estimate of the depreciable lives and estimated residual value of property and equipment and related party transactions are based on industry standards. We evaluated the key factors and assumptions used to develop the depreciable lives and estimated residual value of property and equipment and related party transactions in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements are:

> The disclosure of related party transactions in Note 5 to the financial statements is sensitive because they make up a large portion of Partnership liabilities and expenses.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

You have corrected all misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 24, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Partnership's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Partnership's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Partners and management of the Partnership and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Novogradac & Company LLP

NOVOGRADAC & COMPANY LLP

April 10, 2023

To the Members and members of management of
CCL Multifamily LLC:

We have audited the financial statements of CCL Multifamily LLC (the "Company") as of and for the year ended December 31, 2022, and have issued our report thereon dated April 10, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated November 3, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Company are described in Note 2 to the financial statements. As described in Note 2, the Company changed accounting policies related to leases by adopting FASB Accounting Standards Update No. 2016-02, Leases (Subtopic 842), in 2022. We noted no transactions entered into by the Company during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> Management's estimate of the depreciable lives and estimated residual value of property and equipment and related party transactions are based on industry standards. We evaluated the key factors and assumptions used to develop the depreciable lives and estimated residual value of property and equipment and related party transactions in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

> The disclosures of Note Payable in Note 5 and Related Party Transactions in Note 6 to the financial statements are sensitive because they make up a large portion of the liabilities on the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

The following material misstatement detected as a result of audit procedures was corrected by management:

- The client incorrectly recorded preferred return.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 10, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Company's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Company's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements of the Company as of and for the year ended December 31, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the Company's internal control to be significant deficiencies:

The client did not record preferred return as a distribution.

This information is intended solely for the use of the Members and management of the Company and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Novogradac & Company LLP

NOVOGRADAC & COMPANY LLP

NOVOGRADAC & COMPANY LLP®

March 17, 2023

To the Partners of
Forest Oak Towers LP:

We have audited the financial statements of Forest Oak Towers LP (the "Partnership") as of and for the year ended December 31, 2022, and have issued our report thereon dated March 17, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted accounting standards, *Government Auditing Standards*, and the *Consolidated Audit Guide for Audits of HUD Programs*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 3, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Partnership are described in Note 2 to the financial statements. The Company adopted accounting standards changes related to accounting for and disclosing leasing arrangements. Our opinion is not modified with respect to this matter. With respect to leases, FASB ASC 842 did not have a material impact on the financial statements. We noted no transactions entered into by the Partnership during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> Management's estimate of the depreciable lives and estimated residual value of property and equipment, the amortization period of intangible assets, and related party transactions are based on industry standards. We evaluated the key factors and assumptions used to develop the depreciable lives and estimated residual value of property and equipment, the amortization period of intangible assets, and related party transactions in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

> The disclosure of Mortgages Payable in Note 5 to the financial statements are sensitive since they make up a large portion of the liabilities on the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

You have corrected all misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 17, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Partnership's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Partnership's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

The status of prior audit findings, questioned costs, and recommendations, certification of partner, and the managing agent's certification have not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we do not express an opinion or provide any assurance on them. We have read these schedules and have noted no material inconsistencies with the audited financial statements.

This information is intended solely for the use of the Partners and management of the Partnership and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Novogradac & Company LLP

NOVOGRADAC & COMPANY LLP

NOVOGRADAC & COMPANY LLP®

April 10, 2023

To the Partners of
Greenhills Apartments Limited Partnership:

We have audited the financial statements of Greenhills Apartments Limited Partnership (the "Partnership") as of and for the year ended December 31, 2022, and have issued our report thereon dated April 10, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated November 3, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Partnership are described in Note 2 to the financial statements. The Partnership adopted changes in FASB ASC 842 related to accounting for and disclosing leasing arrangements. Our opinion is not modified with respect to this matter. With respect to leases, FASB ASC 842 did not have a material impact on the financial statements. We noted no transactions entered into by the Partnership during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> Management's estimate of depreciable lives and estimated residual value of property and equipment, deferred charges, and related party transactions are based on industry standards. We evaluated the key factors and assumptions used to develop the depreciable lives and estimated residual value of property and equipment, and related party transactions in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

> The disclosures of related party transactions in Note 5 to the financial statements are sensitive since they make up a significant portion of the liabilities on the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

You have corrected all misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 10, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Partnership's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Partnership's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Partners and management of the Partnership and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Novogradac & Company LLP

NOVOGRADAC & COMPANY LLP

NOVOGRADAC & COMPANY LLP®

May 3, 2023

To the Members of
HOC at Georgian Court, LLC:

We have audited the financial statements of HOC at Georgian Court, LLC (the "Company") as of and for the year ended December 31, 2022, and have issued our report thereon dated May 3, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated November 3, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Company are described in Note 2 to the financial statements. The Company adopted accounting standards changes related to accounting for and disclosing leasing arrangements. Our opinion is not modified with respect to this matter. With respect to leases, FASB ASC 842 did not have a material impact on the financial statements. We noted no transactions entered into by the Company during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> Management's estimate of the depreciable lives and estimated residual value of property and equipment and related party transactions are based on industry standards. We evaluated the key factors and assumptions used to develop the depreciable lives and estimated residual value of property and equipment and related party transactions in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements are:

> The disclosure of related party transactions in Note 5 to the financial statements is sensitive because they make up a large portion of Company liabilities and expenses.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

You have corrected all misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 3, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Company's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Company's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Members and management of the Company and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Novogradac & Company LLP

NOVOGRADAC & COMPANY LLP

May 8, 2023

To the Members of
HOC at Shady Grove, LLC:

We have audited the financial statements of HOC at Shady Grove, LLC (the "Company") as of and for the year ended December 31, 2022, and have issued our report thereon dated May 8, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated November 3, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Company are described in Note 2 to the financial statements. The Company adopted accounting standards changes related to accounting for and disclosing leasing arrangements. Our opinion is not modified with respect to this matter. With respect to leases, FASB ASC 842 did not have a material impact on the financial statements. We noted no transactions entered into by the Company during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> Management's estimate of the depreciable lives and estimated residual value of property and equipment and related party transactions are based on industry standards. We evaluated the key factors and assumptions used to develop the depreciable lives and estimated residual value of property and equipment and related party transactions in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements are:

> The disclosure of related party transactions in Note 5 to the financial statements is sensitive because they make up a large portion of Company liabilities and expenses.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

You have corrected all misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 8, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Company's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Company's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Members and management of the Company and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Novogradac & Company LLP

NOVOGRADAC & COMPANY LLP

NOVOGRADAC & COMPANY LLP®

May 8, 2023

To the Partners of
HOC at the Upton II LLC:

We have audited the financial statements of HOC at the Upton II LLC (the "Company") as of and for the year ended December 31, 2022, and have issued our report thereon dated May 8, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated November 3, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Company are described in Note 2 to the financial statements. The Partnership adopted accounting standards changes related to accounting for and disclosing leasing arrangements. Our opinion is not modified with respect to this matter. With respect to leases, FASB ASC 842 did not have a material impact on the financial statements. We noted no transactions entered into by the Company during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> Management's estimate of the depreciable lives and estimated residual value of property and equipment and related party transactions are based on industry standards. We evaluated the key factors and assumptions used to develop the depreciable lives and estimated residual value of property and equipment and related party transactions in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements are:

> The disclosures of mortgage payable in Note 5 and related party transactions in Note 6 to the financial statements are sensitive because they make up a large portion of Partnership liabilities and expenses.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

You have corrected all misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 8, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Company's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Company's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Partners and management of the Company and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Novogradac & Company LLP

NOVOGRADAC & COMPANY LLP

May 3, 2023

To the Members and members of management of
HOC at Westside Shady Grove, LLC:

We have audited the financial statements of HOC at Westside Shady Grove, LLC (the "Company") as of and for the year ended December 31, 2022, and have issued our report thereon dated May 3, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated November 3, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Company are described in Note 2 to the financial statements. As described in Note 2, the Company changed accounting policies related to leases by adopting FASB Accounting Standards Update No. 2016-02, Leases (Subtopic 842), in 2022. We noted no transactions entered into by the Company during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> Management's estimate of depreciation and amortization expense is based on the estimated useful life of the related assets. We evaluated the key factors and assumptions used to develop depreciation and amortization expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements were:

> The disclosure related party transactions in Note 5 to the financial statements is sensitive because they make up a large portion of Company liabilities and expenses.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

The following material misstatement detected as a result of audit procedures was corrected by management:

- Fixed assets and accounts payable were materially misstated as client did not record contractor payable relating to pay application number 22.
- Fixed assets and accounts payable were materially misstated due to the client not recording Draw 21.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 3, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Company's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Company's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements of the Company as of and for the year ended December 31, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in the Company's internal control to be material weaknesses:

Fixed assets and accounts payable were materially misstated as client did not record contractor payable relating to pay application number 22.

This information is intended solely for the use of the Members and management of the Company and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Novogradac & Company LLP

NOVOGRADAC & COMPANY LLP

March 8, 2023

To The Partners And Management
Tanglewood and Sligo Limited Partnership

We have audited the financial statements of Tanglewood and Sligo Limited Partnership for the year ended December 31, 2022, and have issued our report thereon dated March 8, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated November 23, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Tanglewood and Sligo Limited Partnership are described in Note 1 to the financial statements.. No new accounting policies were adopted and the application of existing policies was not changed during 2022. We noted no transactions entered into by the Partnership during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

> Management's estimate of depreciation and amortization expense is based on their knowledge and experience in the industry. We evaluated the key factors and assumptions used to develop the depreciation and amortization expense in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 8, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Partnership's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Partnership's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Tanglewood and Sligo Limited Partnership and management of Tanglewood and Sligo Limited Partnership and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

SC+H attest services, P.C.

WAVERY HOUSE RAD LIMITED PARTNERSHIP
(A MARYLAND LIMITED PARTNERSHIP)

FOR YEAR ENDED DECEMBER 31, 2022

AUDIT COMMUNICATIONS

Group CPAs & Consultants

AUDIT COMMUNICATIONS WITH MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE

March 06, 2023

To the Partners of
Waverly House RAD Limited Partnership,
Housing Opportunities Commission of Montgomery County

We have audited the financial statements of Waverly House RAD Limited Partnership (the "Partnership") for the year ended December 31, 2022 and will issue our report thereon dated March 06, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

<u>Significant Audit Matters</u>

Qualitative Aspects of Accounting Practices:

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Partnership are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2022. We noted no transactions entered into by the Partnership during the year for which there is a lack of authoritative guidance or consensus All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit:

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Group CPAs
&
Consultants

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 06, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Partnership's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Partnership's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of management of the Partnership and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

MK Group CPAs & Consultants LLC

MK Group CPAs & Consultants LLC
Certified Public Accountants
Oakbrook, Illinois

The Auditor's Communication With Those Charged With Governance

Communication Date: February 9, 2023

This communication is being provided to you in connection with our audit of Wheaton Metro Limited Partnership's December 31, 2022, financial statements. This communication reflects those matters that are, in our professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process.

This communication is intended for those charged with governance, which means the person or persons with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process. In some cases, those charged with governance are responsible for approving the entity's financial statements, and in other cases, management has this responsibility. For entities with a board of directors, this term encompasses the term board of directors or audit committee used elsewhere in generally accepted auditing standards.

Where ownership responsible for management of the entity owns the management company we consider those charged with governance and management to be the same. As a result, we would normally suggest that this communication be provided to the person who signed our engagement letter with a request that it be shared with other owners as appropriate. However, as indicated below, it is not necessary to repeat previous communications.

Auditor's Responsibilities With Regard to the Financial Statement Audit

We are responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of those charged with governance are presented fairly, in all material respects, in conformity with the entity's financial reporting framework. These responsibilities have been communicated to you through our engagement letter.

The entity has received government assistance and is also subject to regulatory reporting requirements. As a result, the annual financial statements also include required supplementary information and auditor reports on internal controls and compliance with government regulations.

We performed our audit in accordance with US generally accepted auditing standards (GAAS). In addition, because the financial statements include regulatory reporting requirements, we performed our audit in accordance with government audit standards (GAGAS), which require us to perform tests of compliance with regulatory requirements applicable to the entity's government programs.

Planned Scope and Timing of the audit

We perform certain procedures at an interim date. These procedures include planning, risk assessment, obtaining and understanding of internal controls, tests of compliance, where applicable, and limited substantive tests. The bulk of our substantive procedures are performed at year end. The timing of the audit is discussed verbally with management in order to facilitate the audit. The exact procedures are not communicated to ensure the effectiveness of those procedures is not compromised.

Whenever we identify significant risks of material misstatement we extend our procedures. Our process for identification of risks of material misstatement include assessing fraud opportunities, internal controls, the accounting issues faced by the entity and the entity's expertise and experience relative to such issues. Such issues include such items as impairment, going concern considerations, recording the building cost following acquisition or cost certification, involuntary conversions, derivatives and changes in management companies. In the event one or more of these items is encountered we will be required to perform additional auditing procedures which will likely result in additional cost of the audit which cannot be avoided. When such additional auditing is required we will communicate such matters to you as part of our communication of significant matters encountered during the audit.

Our approach is to obtain an understanding of internal controls and to determine whether key internal controls that might affect our audit procedures have been implemented. We do not typically perform tests to determine the effectiveness of internal controls unless we are required to report on internal controls for regulatory purposes or we believe such tests will improve our efficiency.

The Auditor's Communication With Those Charged With Governance

Communication Date: February 9, 2023

We use a calculated planning materiality limit in designing the extent of our tests. This planning materiality limit takes into consideration various factors, including the number of rental units, the location of the property, the amount of total assets and total revenues of the entity. In planning our tests we use various thresholds based on a percentage of the calculated planning materiality. Once we have completed our testing, we evaluate whether any factors, such as adjustments or other qualitative items, indicate we need to adjust the calculated planning materiality amount, which might impact the extent of testing needed to complete the audit.

Select comment from above pulldown list

Auditor Independence

Generally accepted auditing standards require independence for all audits. Relevant matters to consider in reaching a conclusion about independence include circumstances or relationships that create threats to auditor independence and the related safeguards that have been applied to eliminate those threats or reduce them to an acceptable level.

We have maintained our independence throughout the period under audit and during the course of performing our audit in accordance with the rules set forth by the AICPA. Where required, we have also met the independence requirements of any other regulatory bodies that have oversight of the audit function.

We performed limited nonattest services for the entity. However, such services have not impaired our independence with respect to the audit and our performance of such nonattest services has been previously communicated.

We have no other matters to communicate to you on independence.

Open matters

As of the date of this communication, no significant audit matters remain open.

Significant Findings or Issues From The Audit

This section includes significant matters arising during the audit of the financial statements which resulted in additional auditing procedures and / or additional audit evidence and need to be communicated to you. Each subsection below addresses a different area of significance.

Significant Accounting practices

We have no comments to make on existing practices.

Significant Unusual Transactions

The entity changed its method of accounting as described in the paragraph below.

As disclosed in the financials, new accounting guidance related to Leases (Topic 842) was implemented during the current year.

Significant Difficulties

We did not encounter any significant, unexpected difficulties during the performance of our audit.

Disagreements With Management

We did not encounter any disagreements with management which need to be communicated to you.

Circumstances Which Affected the Form and Content of Auditor's Report

The matters communicated in this subsection represent those circumstances, if any, which resulted in changes to the form and content of our auditor's report.

Difficult or Contentious Matters On Which We Consulted With Others

The Auditor's Communication With Those Charged With Governance

Communication Date: February 9, 2023

Other Findings or Issues

We have no material weaknesses or significant deficiencies in the entity's internal controls over financial reporting which need to be communicated to you.

A copy of all posted adjustments to correct misstatements noted during the audit have been separately provided to management.

We have no other significant audit findings or issues which we need to communicate to you.

Uncorrected Misstatements

This section includes our views of the effects of any uncorrected misstatements on the financial statements. The summary schedule below is designed to provide you with the overall monetary effect of uncorrected misstatements on each category presented in the schedule. Separately, we have provided management with details of those adjustments needed to correct uncorrected misstatements noted during the audit, if any. Our consideration of uncorrected misstatements does not include items we believe to be trivial.

We found uncorrected misstatements during the audit which have been reflected in the summary schedule below. These uncorrected misstatements have been evaluated both individually and in the aggregate, and do not materially misstate the audited financial statements.

	Report Amount	Misstatement Amount	Percentage
Assets	8,533,517	-	0%
Liabilities	8,871,323	133,300	2%
Equity	(337,806)	(126,114)	37%
Revenue	810,387	-	0%
Operating expenses	501,159	-	0%
Related party expenses	26,470	-	0%
Other, including rent expense	-	-	0%
Interest expense	219,669	(3,593)	-2%
Depreciation and amortization	559,861	-	0%
Net income (loss)	(496,772)	3,593	-1%

Restricted use of communication

This communication is intended solely for the information and use of those charged with governance and, if appropriate, management and is not intended to be and should not be used by anyone other than those specified parties.

Questions or further discussion

If you have any questions or wish to discuss any matters communicated further please contact the engagement partner named below.

Lucas G. Matesa, CPA

Engagement Partner

M E M O R A N D U M

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

VIA: Chelsea Andrews, Executive Director

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

RE: **Calendar Year 2023 (CY'23) Elizabeth House III LP Budget Amendment:** Presentation of CY'23 Elizabeth House III LP Budget Amendment

DATE: May 19, 2023

BACKGROUND:

As Managing General Partner, HOC has a fiduciary responsibility for each of the Low Income Housing Tax Credit Partnerships ("Tax Credit Partnerships"). The current HOC budget policy stipulates that the financial performance and budgets of the Tax Credit Partnerships should be reviewed on the same fiscal year as its partners (December 31). The Tax Credit Partnership Budgets require adoption by the Commission, separate from the Agency's general budget process. On November 16, 2022, the Commission adopted the CY'23 budgets for the Tax Credit Partnerships that owned the 16 multifamily properties, and The Lindley, a Limited Liability Company, which operate on a calendar year basis .

ISSUES FOR CONSIDERATION:

- **Elizabeth House III LP (The Leggett):** In FY 2020, HOC began construction of The Leggett, formerly known as Elizabeth House III. The Leggett consists of 267 senior units. The property provides replacement housing for residents from the existing Elizabeth House Senior community, which participated in the U.S. Department of Housing and Urban Development's ("HUD") Rental Assistance Demonstration Program ("RAD"). This participation converted Public Housing rental assistance to Project-Based Rental Assistance ("PBRA") for 106 relocating households, 26 units of which were converted to Project-Based Vouchers ("PBVs") using a non-competitive selection under a Section 18 Disposition. As required, all 106 units will serve households earning less than 30% of the Area Median Income ("AMI"). In addition, 14 units will serve households earning less than 60% AMI, 118 units will serve households earning less than 80% AMI, and 29 units will serve as market-rate units. The substantial completion date was March 7, 2023 and occupancy began the week of May 15. This requested budget amendment incorporates a budget for the period of January 1 through December 31 2023.

- The table on the next page summarizes the proposed CY'23 budget for Elizabeth House III LP. Rents are largely unchanged from those used in the original underwriting. The budget assumes that the property will achieve a combined physical occupancy above 90% by December 2023 based on the early lease-up of the affordable units. Expense numbers are based on in-place maintenance contracts and staff salaries as well as assumed first year expenses in the proforma.

CY 2023 Elizabeth House III LP Budget Amendment

	1/1/2023 - 12/31/2023
Total Revenue	**$1,549,836**
Gross Rents	$3,288,824
Concessions	($59,136)
Vacancy Loss	($1,710,601)
Other Revenue	$30,749
Total Operating Expenses	**$930,680**
Administrative	$489,191
Utilities	$194,672
Maintenance	$194,915
Other	$51,902
Net Operating Income	**$619,156**
Annual RfR Contribution	$0
Excess Cash Flow Restricted	$619,156
Annual Debt Service	$0
Total Non-Operating Expenses	**$619,156**
Cash Flow / (Deficit)	**$0**
Capital	**$25,000**

BUDGET IMPACT:
Approval by the Commission will establish this as the CY'23 operating and capital budget for Elizabeth House III LP.

TIME FRAME:
For informal discussion at the May 19, 2023 Budget, Finance and Audit Committee meeting. For formal Commission action at the June 14, 2023 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 CY'23 Elizabeth House II LP Budget Amendment.

M E M O R A N D U M

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

VIA: Chelsea Andrews, Executive Director

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

RE: **Calendar Year 2023 (CY'23) HOC Westside Shady Grove, LLC Budget Amendment:** Presentation of CY'23 HOC Westside Shady Grove, LLC Budget Amendment

DATE: May 19, 2023

BACKGROUND:

As Managing General Partner, HOC has a fiduciary responsibility for each of the Low Income Housing Tax Credit Partnerships ("Tax Credit Partnerships"). The current HOC budget policy stipulates that the financial performance and budgets of the Tax Credit Partnerships should be reviewed on the same fiscal year as its partners (December 31). The Tax Credit Partnership Budgets require adoption by the Commission, separate from the Agency's general budget process. On November 16, 2022, the Commission adopted the CY'23 budgets for the Tax Credit Partnerships that owned the 16 multifamily properties, and The Lindley, a Limited Liability Company, which operate on a calendar year basis .

ISSUES FOR CONSIDERATION:

- **HOC Westside Shady Grove, LLC (The Laureate):** In FY 2021, HOC broke ground on construction of The Laureate, formerly known as Westside at Shady Grove. The project will deliver 268 highly-amenitized, mixed-income units, steps from the Shady Grove Metro station. Twenty-five percent of the units are affordable at 50% or less of Area Median Income ("AMI") and five percent (5%) are affordable at 65% or less of AMI. The property will also consolidate HOC's Gaithersburg Customer Service Center into the retail portion with a first-level lobby entrance and approximately 7,000 square feet of flexible office space above. Construction is complete and occupancy began the week of April 10, 2023. This requested budget amendment incorporates a budget period of January 1 through December 31 2023.

  Please note that the budget for the Customer Service Center is incorporated in the proposed Agency FY'24 budget that will be presented to the Commission for adoption at the June 14, 2023 meeting.

- The table on the next page summarizes the proposed CY'23 budget for HOC Westside Shady Grove, LLC. Market rents are based on the approved rent schedule from latest development proforma which has increased slightly since the initial rent study based on changes in the market. Affordable rents are based on the Moderately Priced Dwelling Unit ("MPDU") and Workforce housing rates established by Montgomery County for the respective AMI limits. The budget assumes that the property will achieve physical occupancy of 65% and 73% for market and affordable units, respectively, by December 2023. Expense numbers are based on in-place maintenance contracts and staff salaries as well as the assumed first year expenses in the proforma.

CY 2023 HOC at Westside Shady Grove, LLC Budget Amendment

	1/1/2023 - 12/31/2023
Total Revenue	**$1,737,666**
Gross Rents	$5,087,334
Concessions	($268,024)
Vacancy Loss	($3,571,005)
Other Revenue	$489,361
Total Operating Expenses	**$1,910,262**
Administrative	$1,031,770
Utilities	$275,739
Maintenance	$493,190
Other	$109,563
Net Operating Income	**($172,596)**
Annual RfR Contribution	$0
Asset Management Fee	$0
Draw from Operating Deficit Reserve	($172,596)
Annual Debt Service	$0
Total Non-Operating Expenses	**($172,596)**
Cash Flow / (Deficit)	**$0**
Capital	**$15,000**

BUDGET IMPACT:

Approval by the Commission will establish this as the CY'23 operating and capital budget for HOC Westside Shady Grove, LLC.

TIME FRAME:

For informal discussion at the May 19, 2023 Budget, Finance and Audit Committee meeting. For formal Commission action at the June 14, 2023 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 CY'23 HOC Westside Shady Grove, LLC Budget Amendment.

MEMORANDUM

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

VIA: Chelsea Andrews, Executive Director

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

RE: **Procurement of Property Management Services:** Additional Extension of Property Management Contracts Expiring June 30, 2023 for: Alexander House, Cider Mill Apartments, Diamond Square, Fenton Silver Spring, Forest Oaks Towers, Georgian Court, Brookside Glen, Glenmont Crossing, Glenmont Westerly, Greenhills Apartments, MetroPointe, The Oaks at Four Corners, Stewartown Homes, and Westwood Tower; and

Approval Additional Extension of Property Management Contracts Expiring September 30, 2023 for: Camp Hill Square, Pooks Hill Court, Pooks Hill Tower, RAD 6 Development Corp. (Ken Gar, Parkway Woods, Sandy Spring Meadows, Seneca Ridge, Towne Centre Place, Washington Square), Residences on the Lane, Shady Grove Apartments, Spring Garden, and The Willows of Gaithersburg.

DATE: May 19, 2023

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 property management contracts to the Budget, Finance and Audit Committee in support of staff's recommendation to the Commission for extension. No renewal options are available for the contracts listed below; therefore, the request is for approval to extend the term of each contract.

Staff has worked with the HOC's Board of Commissioners to create a property management solicitation template that reflects the evaluation and scoring metrics for property management Request for Proposals ("RFP") of the Commission. The development of the template is now complete, but additional time is needed to accomplish the following:

- Publish the RFPs and provide sufficient time for firms to respond,
- Allow staff to undertake a significant evaluation effort and prepare material for Committee and Commission consideration,
- Prepare and negotiate new contracts, and
- Offboard and/or onboard management companies and any property-level employees.

The following tables identify the affected properties and provide 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.

Each contract extension is requested for the sooner of the execution of a new contract or six (6) months. For contracts with a current expiration date of June 30, 2023, July 31, 2023, or September 30, 2023, the extension period is through December 31, 2023, January 31, 2024, and March 31, 2024 respectively. Current management fees are not expected to change as a result of these extensions.

Table 1. Contracts Expiring June 30, 2023

Count	Property	Type	Current Vendor	Contract Start Date	Annual Renewal Contract Cost	Current Contract End Date	Proposed Renewal Period
1	Alexander House	Family	Edgewood	7/1/2019	$94,800	6/30/2023	7/1/2023 – 12/31/2023
2	Cider Mill Apartments	Family	Grady	7/1/2019	$396,324	6/30/2023	7/1/2023 – 12/31/2023
3	Diamond Square	Senior	Res One	7/1/2019	$62,881	6/30/2023	7/1/2023 – 12/31/2023
4	Fenton Silver Spring	Family	Edgewood	8/30/2019	$62,000	6/30/2023	7/1/2023 – 12/31/2023
5	Forest Oak Towers	Senior	Habitat	7/1/2019	$75,600	6/30/2023	7/1/2023 – 12/31/2023
6	Georgian Court	Family	Edgewood	7/1/2019	$62,400	6/30/2023	7/1/2023 – 12/31/2023
7	Brookside Glen	Family	Edgewood	7/1/2019	$42,240	6/30/2023	7/1/2023 – 12/31/2023
8	Glenmont Crossing	Family	Edgewood	7/1/2019	$42,240	6/30/2023	7/1/2023 – 12/31/2023
9	Glenmont Westerly	Family	Edgewood	7/1/2019	$42,240	6/30/2023	7/1/2023 – 12/31/2023
10	Greenhills Apartments	Family	CAPREIT	7/1/2019	$44,499	6/30/2023	7/1/2023 – 12/31/2023
11	MetroPointe	Family	Bozzuto	7/1/2019	$129,850	6/30/2023	7/1/2023 – 12/31/2023
12	The Oaks at Four Corners*	Senior	Edgewood	8/1/2019	$59,868	7/31/2023	8/1/2023 – 1/31/2024
13	Stewartown Homes	Family	Edgewood	7/1/2019	$43,044	6/30/2023	7/1/2023 – 12/31/2023
14	Westwood Tower	Family	CAPREIT	7/1/2019	$139,548	6/30/2023	7/1/2023 – 12/31/2023

**The contract for Oaks at Four Corners expires on July 31, 2023, but is included with this list for extension.*

Table 2. Contracts Expiring September 30, 2023

Count	Property	Type	Current Vendor	Contract Start Date	Annual Renewal Contract Cost	Current Contract End Date	Proposed Renewal Period
15	Camp Hill Square	Family	Edgewood	1/1/2021	$13,295	9/30/2023	10/1/2023 – 3/31/2024
16	Pooks Hill Court	Family	Edgewood	12/23/2016	$25,402	9/30/2023	10/1/2023 – 3/31/2024
17	Pooks Hill Tower	Family	Edgewood	12/23/2016	$95,256	9/30/2023	10/1/2023 – 3/31/2024
18	RAD 6 Development Corp.	Family	Edgewood	1/1/2021	$70,808	9/30/2023	10/1/2023 – 3/31/2024
19	Residences on the Lane	Family	Edgewood	7/1/2021	$75,600	9/30/2023	10/1/2023 – 3/31/2024
20	Shady Grove Apartments	Family	Edgewood	1/16/2017	$55,176	9/30/2023	10/1/2023 – 3/31/2024
21	Spring Garden	Family	Edgewood	12/1/2017	$39,396	9/30/2023	10/1/2023 – 3/31/2024
22	The Willows of Gaithersburg	Family	Edgewood	1/16/2017	$85,800	9/30/2023	10/1/2023 – 3/31/2024

This submittal includes contracts for twenty-two (22) properties managed by six (6) different property management companies. These companies include Grady Management, Edgewood Management, Bozzuto Management, Residential One, CAPREIT, and Habitat America. These companies have provided property management services to HOC over several years. Their history with HOC is as follows:

Grady Management – The company has managed 600,000 square feet of commercial retail and office space, managed 50,000 units in more than 160 locations, and performed more than $57MM in apartment interior modernizations. Grady currently manages one property for HOC (Cider Mill).

Edgewood Management – The company is well-known in the property management space and 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.

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

Residential One – The company is an award-winning property management firm with close to 10,000 units. 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. Residential One currently manages eight (8) properties for HOC.

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

The chart below provides some general information regarding the twenty-two (22) properties that are included in this request for contract extension:

Count	Property	Location	Total Units	Current Occupancy
1	Alexander House	Silver Spring, MD	305	92%
2	Cider Mill Apartments	Montgomery Village, MD	864	92%
3	Diamond Square	Gaithersburg, MD	124	94%
4	Fenton Silver Spring	Silver Spring, MD	124	93%
5	Forest Oak Towers	Gaithersburg, MD	175	100%
6	Georgian Court	Silver Spring, MD	147	85%
7	Brookside Glen	Wheaton, MD	90	93%
8	Glenmont Crossing	Wheaton, MD	199	94%
9	Glenmont Westerly	Wheaton, MD	199	94%
10	Greenhills Apartments	Damascus, MD	78	96%
11	MetroPointe	Wheaton, MD	173	93%
12	The Oaks at Four Corners	Silver Spring, MD	120	97%
13	Stewartown Homes	Montgomery Village, MD	94	93%
14	Westwood Tower	Bethesda, MD	212	88%
15	Camp Hill Square	Gaithersburg, MD	51	75%
16	Pooks Hill Court	Bethesda, MD	50	96%
17	Pooks Hill Tower	Bethesda, MD	189	93%
18	RAD 6 Development Corp.	Gaithersburg, Silver Spring, Germantown, Gaithersburg, Olney	268	93%
19	Residences on the Lane	Rockville, MD	150	96%
20	Shady Grove Apartments	Derwood, MD	144	80%
21	Spring Garden	Silver Spring, MD	82	91%
22	The Willows of Gaithersburg	Gaithersburg, MD	195	93%

ISSUES FOR CONSIDERATION:
Will the Budget, Finance and Audit Committee join staffs' recommendation to the Commission to approve the extension of the property management contracts with Grady Management, Edgewood Management, Bozzuto Management, Residential One, CAPREIT and Habitat America for 22 entities that include : Alexander House, Cider Mill Apartments, Diamond Square, Fenton Silver Spring, Forest Oaks Towers, Georgian Court, Brookside Glen, Glenmont Crossing, Glenmont Westerly, Greenhills Apartments, MetroPointe, The Oaks at Four Corners, Stewartown Homes, and Westwood Tower, Camp Hill Square, Pooks Hill Court, Pooks Hill Tower, RAD 6 Development Corp. (Ken Gar, Parkway Woods, Sandy Spring Meadows, Seneca Ridge, Towne Centre Place, Washington Square), Residences on the Lane, Shady Grove Apartments, Spring Garden, and The Willows of Gaithersburg?

BUDGET IMPACT:
The extension of the property management contracts will not have an adverse budget impact for the fiscal year 2023 operating budget. The costs associated with the services are included in the property budgets.

When approved on June 14, 2024, the costs associated with these extensions, where applicable, will be approved in the fiscal 2024 operating budgets.

TIME FRAME:
For informal discussion at the Budget, Finance and Audit Committee meeting on May 19, 2023 and for formal action at the June 14, 2023 meeting of the Commission.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:
Staff recommends that the Budget, Finance and Audit Committee join staffs' recommendation to the Commission to approve the extend the property management services contracts with the respective management companies heretofore discussed, for 22 entities including: Alexander House, Cider Mill Apartments, Diamond Square, Fenton Silver Spring, Forest Oaks Towers, Georgian Court, Brookside Glen, Glenmont Crossing, Glenmont Westerly, Greenhills Apartments, MetroPointe, The Oaks at Four Corners, Stewartown Homes, and Westwood Tower, Camp Hill Square, Pooks Hill Court, Pooks Hill Tower, RAD 6 Development Corp. (Ken Gar, Parkway Woods, Sandy Spring Meadows, Seneca Ridge, Towne Centre Place, Washington Square), Residences on the Lane, Shady Grove Apartments, Spring Garden, and The Willows of Gaithersburg each to the sooner of the execution of a new contract or for six (6) months.

Updates

M E M O R A N D U M

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

VIA: Chelsea J. Andrews, Executive Director

FROM: Staff: Darcel Cox, Chief Compliance Officer

RE: **Fiscal Year 2022 (FY'22) Single Audit Corrective Action Plan**
Presentation of the FY22 Single Audit Corrective Action Plan

DATE: March 19, 2023

BACKGROUND:
For FY'22, the Housing Opportunities Commission of Montgomery County ("HOC") received an unmodified audit opinion for the Housing Choice Voucher Program ("HCVP") and Continuum of Care Program and a qualified audit opinion for the Section 8 Project Based Cluster, as follows:

1. Three "Significant Deficiencies in Internal Control over Compliance" were identified in the HCVP;
2. Two "Material Weaknesses in Internal Control over Compliance" were identified in the Section 8 Project Based Voucher Cluster; and
3. The Continuum of Care Program had no findings.

As a result, HOC was required to prepare a Corrective Action Plan for submittal to the U.S. Department of Housing and Urban Development ("HUD") with a completion date of June 2023.

ISSUES FOR CONSIDERATION:
To provide the Budget, Finance and Audit Committee with an update on the FY'22 Corrective Action Plan progress.

DISCUSSION:
HOC is proceeding with implementing its Corrective Action Plan.

The following Project Based Rental Assistance ("**PBRA")** items from the Corrective Action Plan are complete:

- In late January, HOC and Edgewood Management Compliance and Property Management Teams participated in a comprehensive PBRA training through US Housing Consultants.
- The HOCs Compliance Team procured Quadel Consulting to perform a 100% PBRA file audit review. All of the requested files for the Edgewood Managed properties have been uploaded and are currently under review. The HOC managed properties are finalizing uploads and will have them completed by the June deadline.

- As of April 2023, all PBRA units have been inspected or are scheduled for annual inspection by June 30, 2023.
- As of March 2023, Property Management implemented a Quality Control process for file reviews, scanning and properly retaining resident files.
- HOC's Property Management, IT and Compliance Team created a protocol for Edgewood Management to have the ability to upload certification files to HOCs system of record. This will allow the HOC compliance team to have access to files and perform quality control reviews bi-monthly basis. HOC will implement this process no later than June 2023 and ongoing review s will begin July 2023.
- HOC is in the process of procuring a contractor to complete annual inspections for its PBRA units throughout the portfolio moving forward.

For the **HCVP**, Corrective Action Plan:

- Staff has implemented all of the following Corrective Action Plan items:
    - The HOC Compliance Team conducts quality control reviews of completed files. Staff from the Housing Resources Management Team and Compliance meet after each review period to discuss deficiencies and corrective action.
    - HOC meets with IEI monthly to provide the report of annual inspections, and discuss progress and the alignment of expectations.
    - During the month of April 2023, the Housing Resources Division and HOC Compliance Teams participated in a comprehensive Housing Choice Voucher ("HCV") training through Quadel Consultant. Refreshing training will be ongoing.
- Recruitment is underway for the hiring of an internal trainer.

HOC is on track to complete the corrective actions by June 30, 2023. Staff will provide a final update to the Committee upon completion of all action items.

PRINCIPALS:
Compliance Division
Property Management Division
Housing Resources Division

BUDGET IMPACT:
The cost for the 100% file audit is $61,500. As this is an unbudgeted item, this will, create a negative variance in the operating budget.

TIME FRAME:
N/A

STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED:
N/A

Adjourn