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

Budget, Finance and Audit Committee

December 20, 2023
11:00 a.m.

Livestream: **https://youtube.com/live/Skqqv9Trm_Q?feature=share**

HOC's offices are now open to the public. The public is invited to attend HOC's December 20, 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 and online participation).

Approval of Minutes:

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Minutes

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

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

Budget, Finance, and Audit Committee Minutes
November 3, 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, November 3, 2023 with moderator functions occurring at 10400 Detrick Avenue, Kensington, Maryland beginning at 10:00 a.m. There was a livestream of the meeting held on YouTube, available for viewing here. Those in attendance were:

Present

Jeffrey Merkowitz, Commissioner
Frances Kelleher, Commissioner

Present via Zoom

Richard Y. Nelson-- Chair

Also Present

Chelsea Andrews, President/Executive Director
Kayrine Brown, Senior Executive Vice President
Terri Fowler, Budget Officer
Aisha Memon, Senior Vice President, Legal
John Wilhoit
Ali Ozair
Timothy Goetzinger, Chief Financial Officer
Richard Congo
Zachary Marks
Alex Torton
DeMarcus Hubbard
Morgan Tucker

Present via Zoom

Claudia Wilson
John Broullire
Deneen Crawford
Alex Laurens
Kai Hsieh
Sewavi Prince Agbodjan
Sean Asberry

IT Support

Aries "AJ" Cruz

Commission Support

Alicia Black, Temp Assistant

Commissioner Nelson opened the meeting with a welcome and introduction of Commissioner Kelleher, Commissioner Nelson, and President Chelsea Andrews. Commissioner Merkowitz began the meeting with the approval of the minutes.

APPROVAL OF MINUTES

The minutes of the September 20, 2023 meeting were approved as submitted with a motion by Commissioner Kelleher and seconded by Commissioner Nelson. Affirmative votes were cast by Commissioners Nelson, Merkowitz and Kelleher.

ACTION/DISCUSSION ITEMS

1. **Calendar Year 2024 (CY ’24) Portfolio Budgets: Presentation of CY’24 Portfolio Budgets.**

   Commissioner Merkowitz introduced Chelsea Andrews, President, to provide an overview of the presentation. President Andrews introduced Tim Goetzinger, Chief Development Funds Officer/ Acting Chief Financial Officer and Terri Fowler, Budget Officer, to provide a summary of the financial positions of the agency. Staff addressed questions from the Committee. Staff recommended that the Budget, Finance and Audit Committee join its recommendation to the Commission for the approval of the CY’24 Portfolio Budgets. The motion was moved by Commissioner Kelleher and seconded by Commissioner Nelson. Affirmative votes were cast by Commissioners Kelleher, Nelson, and, Merkowitz.

2. **Fiscal Year 2025 (FY’25) County Operating Budget: Presentation of the FY’25 County Operating Budget.**

   Commissioner Merkowitz introduced Chelsea Andrews, President, to provide an overview of the presentation. President Andrews introduced Tim Goetzinger, Chief Development Funds Officer/ Acting Chief Financial Officer, and Terri Fowler, Budget Officer, to provide a summary of the financial positions of the agency. Staff addressed questions from the Committee. Staff recommended that the Budget, Finance and Audit Committee join its recommendation to the Commission for authorization to submit the proposed FY’25 County Operating Budget of $7,972,501 to Montgomery County’s Office of Management and Budget. The motion was moved by Commissioner Nelson and seconded by Commissioner Merkowitz. Affirmative votes were cast by Commissioners Kelleher, Nelson, and, Merkowitz.

3. **Alternate MPDU Placement: Approval to Accept Payment for Alternative Placement of Required MPDU’s and Provision of Corresponding MPDU’s at HOC Properties.**

   Commissioner Merkowitz introduced Chelsea Andrews, President, to provide an overview of the presentation. President Andrews introduced Zachary Marks, Chief Real Estate Officer, who provided the detailed presentation. Staff addressed questions from the Committee. Staff recommended that the Budget, Finance and Audit Committee join its recommendation to approve the acceptance of payment for alternative placement of required MPDU’s for the Pinnacle and Corso Chevy Chase developments and provision of corresponding MPDU’s at HOC

Properties. The motion was made by Commissioner Kelleher and seconded by Commissioner Nelson. Affirmative votes were cast by Commissioners Kelleher, Nelson, and, Merkowitz.

4. **Property Management Procurement for Multiple HOC Properties:**
Approval of Firm Selected to Provide Property Management Services for:
   a. Alexander House in Accordance with #RFP2407
   b. Arcola Towers in Accordance with #RFP2420
   d. Bauer Park Apartments in Accordance with #RFP2416
   f. Cider Mill Apartments in Accordance with #RFP2394
   g. Diamond Square in Accordance with #RFP2408
   h. Forest Oak Towers in Accordance with #RFP2413
   i. Georgia Court in Accordance with #RFP2403
   k. Greenhills Apartments in Accordance with #RFP2412
   m. The Lindley in Accordance with #RFP2401
   n. Magruders Discovery in Accordance with #RFR2404
   o. MetroPointe in Accordance with #RFP2400
   p. The Metropolitan in Accordance with #RFP2402
   q. The Montgomery Arms in Accordance with #RFP2406
   r. Stewartown Homes in Accordance with #RFP2418
   s. Strathmore Court in Accordance with #RFP2409
   u. Waverly House in Accordance with #RFP2417
   v. Westwood Tower in Accordance with #RFP2405
   w. Willow Manor Properties in Accordance with #RFP2414

Commissioner Merkowitz introduced Chelsea Andrews, President, to provide an overview of the presentation. President Andrews introduced Ali Ozair, Director of Property Management, who provided the detailed presentation. Staff recommended that the Budget, Finance, and Audit Committee join its recommendation to the full Commission to award the property management services contracts to the management companies proposed by staff. The motion was made by Commissioner Nelson and seconded by Commissioner Kelleher. Affirmative votes were cast by Commissioners Kelleher, Nelson, and, Merkowitz.

c. Approval of Firm Selected to Provide Property Management Services for Battery Lane in Accordance with #RFP2410

Commissioner Merkowitz introduced Chelsea Andrews, President, to provide an overview of the presentation. President Andrews introduced Ali Ozair, Director of Property Management, who provided the detailed presentation. Staff recommended that the Budget, Finance, and Audit Committee recommends to the full Commission authorization for the President to execute a management contract with Residential One for property management services at Battery Lane. The motion was made by Commissioner Nelson and seconded by Commissioner Kelleher. Affirmative votes were cast by Commissioners Kelleher, Nelson, and, Merkowitz.

e. Approval of Firm Selected to Provide Property Management Services for Bradley Crossing in Accordance with #RFP2411

Commissioner Merkowitz introduced Chelsea Andrews, President, to provide an overview of the presentation. President Andrews introduced Ali Ozair, Director of Property Management, who provided the detailed presentation. Staff recommended that the Budget, Finance, and Audit Committee recommends to the full Commission authorization for the President to execute a management contract with Residential One for property management services at Bradley Crossing. The motion was made by Commissioner Kelleher and seconded by Commissioner Nelson. Affirmative votes were cast by Commissioners Kelleher, Nelson, and, Merkowitz.

j. Approval of Firm Selected to Provide Property Management Services for Glenmont Crossing and Glenmont Westerly in Accordance with #RFP2415

Commissioner Merkowitz introduced Chelsea Andrews, President, to provide an overview of the presentation. President Andrews introduced Ali Ozair, Director of Property Management, who provided the detailed presentation. Staff recommended that the Budget, Finance, and Audit Committee join its recommendation to the full Commission authorization for the Executive Director to execute a management contract with Residential One for property management services at Glenmont Crossing and Glenmont Westerly. The motion was made by Commissioner Kelleher and seconded by Commissioner Nelson. Affirmative votes were cast by Commissioners Kelleher, Nelson, and, Merkowitz.

t. Approval of Firm Selected to Provide Property Management Services for The Glen (Brookside Glen) in Accordance with #RFP2409

Commissioner Merkowitz introduced Chelsea Andrews, President, to provide an overview of the presentation. President Andrews introduced Ali Ozair, Director of Property Management, who provided the detailed presentation. Staff recommended that the Budget, Finance, and Audit Committee join its recommendation to the full Commission authorization for the Executive Director to execute a management contract with Residential One for property management services at The Glen (Brookside Glen). The motion was made by Commissioner Nelson and seconded by Commissioner Kelleher. Affirmative votes were cast by Commissioners Kelleher, Nelson, and, Merkowitz.

l. Approval of Firm Selected to Provide Property Management Services for Hillandale Gateway in Accordance with #RFP2421

President Andrews announced that this item is not advancing.

Commissioner Merkowitz read the Written Closing Statement and made a motion to adopt the statement and close the meeting. Commissioner Nelson seconded the motion, with Commissioners Nelson, Kelleher, and Merkowitz voting in approval.

Based upon this report and there being no further business to come before this session of the Commission, the Commission adjourned the open session at 12:32 p.m. and reconvened in closed session at 12:38 p.m.

In compliance with Section 3-306(c)(2), General Provisions Article, Maryland Code, the following is a report of the Housing Opportunities Commission of Montgomery County's Budget, Finance, & Audit Committee closed session held on November 3, 2023 at approximately 12:38 p.m. via a hybrid model (with some participating in-person and some participating online/via teleconference) with moderator functions occurring at 10400 Detrick Avenue, Kensington, MD 20895. The meeting was closed under the authority of Section 3-305(b)(13) to discuss confidential commercial and financial information related to accepting a temporary expansion to a line of credit from PNC Bank N.A.

The meeting was closed and the closing statement dated November 3, 2023 was adopted on a motion made by Commissioner Merkowitz, seconded by Commissioner Nelson, with Commissioners Merkowitz, Nelson, and Kelleher voting in favor of the motion. The following persons were present: Commissioner Merkowitz, Commissioner Nelson, Commissioner Kelleher, Chelsea Andrews, Kayrine Brown, Aisha Memon, Zachary Marks, and Morgan Tucker.

In closed session, the Commission discussed the below topic and took the following action:

1. **Topic**: Confidential commercial and financial information related to accepting a temporary expansion to a line of credit from PNC Bank N.A. (pursuant to Section 3-305(b)(13)).
    a. **Action Taken**: With a quorum present, Commissioners Merkowitz, Nelson, and Kelleher voted to support staff's recommendation to the full Commission to temporarily expand a line of credit from PNC Bank N.C., as necessary.

The closed session was adjourned at 12:45 p.m.

Respectfully submitted,

Chelsea Andrews
Secretary-Treasurer

/mpt

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 J. Andrews, President/Executive Director

FROM: Staff: Timothy Goetzinger, Senior Vice President Finance/CFO
Terri Fowler, Budget Officer

RE: **Fiscal Year 2024 (FY'24) First Quarter Budget to Actual Statements:** Presentation of First Quarter FY'24 Budget to Actual Statements

DATE: December 20, 2023

BACKGROUND:
The President/Executive Director is presenting the First 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 first quarter of FY'24 against the budget for the same period.

BUDGET IMPACT:
None for FY'24.

TIME FRAME:
For informal discussion at the December 20, 2023 Budget, Finance and Audit Committee meeting. For formal Commission action at the January 10, 2024 meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:
Staff recommends that the Budget, Finance and Audit Committee join its recommendation to the Commission to accept the First Quarter FY'24 Budget to Actual Statements.

DISCUSSION – FIRST QUARTER BUDGET TO ACTUAL STATEMENTS

This review of the Budget to Actual Statements for the Agency through the first quarter of FY'24 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'24 First Quarter Operating Budget to Actual Comparison (Attachment A) shows unrestricted net cash flow or deficits for each of the funds. Attachment A also highlights the FY'24 First Quarter Budget to Actual Comparison for Capital Expenses.

The Agency ended the quarter with a net cash flow shortfall of ($3,201,115). This shortfall resulted in a first quarter budget to actual negative variance of ($967,186) when compared to the anticipated first quarter net cash flow shortfall of ($2,233,929). The primary causes were lower unrestricted cash flow in some of the unrestricted Opportunity Housing properties as a result of property performance (see Opportunity Housing Fund), coupled with lower income in the General Fund partially offset by savings in various expense categories in the fund (see General Fund).

Explanations of Major Variances by Fund

The **General Fund** consists of the basic overhead costs for the Agency. This fund ended the quarter with a deficit of ($3,764,888), which resulted in a positive variance of $526,961, when compared to the projected deficit of ($4,291,849).

As of September 30, 2023, income in the General Fund was $1,256,352 lower than budgeted and expenses were $1,783,313 lower than budgeted. The negative income variance was primarily the result of delays in the receipt of the Development Fees. The Development Fees for the Bauer Park, the Leggett, and Residences on the Lane have been delayed and only a portion of the budgeted fee for Stewartown Homes was received in the first quarter. The majority of the fees for Bauer Park and the balance of the fees for Stewartown are expected in the next 3 months. Final fees for Bauer Park are projected to be received by fiscal year-end. There were also lower draws from the Opportunity Housing Reserve Fund ("OHRF") for Real Estate personnel and predevelopment costs.

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

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

Income (the bond drawdowns that finance the administrative costs for these funds) is in line with the budget. The Multifamily and Single Family Bond Funds experienced positive expense variances of $27,810 and $29,811, respectively, as a result of salary and benefit lapse.

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'24 Operating Budget. This group ended the quarter with cash flow of $1,016,029 or $649,279 less than projected.

- **Alexander House Dev Corp** ended the quarter with a deficit of ($97,404), which resulted in a negative cash flow variance of $161,104 when compared to the projected cash flow of $63,700 primarily from greater than anticipated maintenance and bad debt expense coupled with higher vacancy loss and concessions. **The Barclay Dev Corp** negative cash flow was $11,935 less than anticipated based on lower utility and administrative costs that were partially offset by slightly higher maintenance expenses. **Glenmont Crossing Dev Corp** experienced a positive cash flow variance of $38,769 resulting from lower utility and administrative costs coupled with lower vacancy loss that were partially offset by overages in maintenance contracts coupled with slightly lower rental revenue. **Glenmont Westerly Dev Corp** experienced a negative cash flow variance of $28,632 resulting from higher maintenance and utility expenses. Cash flow for **Magruder's Discovery Dev Corp** was $93,944 lower than budget at quarter-end primarily based on higher vacancy loss coupled with overages in flooring contracts partially offset by savings in administrative costs. The **Metropolitan Dev Corp** ended the quarter with a negative cash flow variance of $87,765 primarily based on unanticipated bad debt expenses and overages in administrative and maintenance costs that were partially offset by lower vacancy loss and higher gross rent potential at the property. **Metropolitan Affordable** experienced a small negative cash flow variance of $15,074 based on overages in utility, maintenance, and administrative costs partially offset by lower vacancy loss at the property. Cash flow at **Montgomery Arms Dev Corp** was $59,107 lower than anticipated primarily due to lower rental revenue and higher vacancy loss. The property also experienced higher than anticipated maintenance and administrative costs that were countered by savings in utilities and bad debt expenses. **Paddington Square** ended the quarter with a negative cash flow variance of $109,770 largely due to restoration expenses following a fire in one of the units coupled with lower rental revenue. An insurance claim for the fire was submitted last April and staff will request reimbursement for the fire related expenses. **Scattered Site Two Dev Corp** ended the quarter with a negative cash flow variance of $46,027 due to overages in maintenance and bad debt expenses, and higher vacancy loss coupled with lower rental revenue that was partially offset by savings Housing Association ("HOA") Fees and administrative staff costs. Cash flow for **VPC One** was $225,157 lower than budget primarily resulting from lower rental revenue and higher vacancy loss coupled with higher bad debt, maintenance, and utility expenses that were partially offset by savings in administrative costs due to staff vacancies and lower debt service payments resulting from the refinance that occurred in August resulting in no payment for September. **VPC Two** experienced a positive cash flow variance of $150,576 based on savings in bad debt and administrative expenses as well as lower debt service payments resulting from the refinance that occurred in August resulting in no payment for September partially offset by overages in maintenance and slightly higher vacancy loss.

The second group consists of properties whose cash flow will not be used for the Agency's FY'24 Operating Budget. The deficit from this group of Development Corporation properties was $432,237 more than budgeted through September 30, 2023.

- **MetroPointe** experienced a negative cash flow variance of $24,859 resulting from overages in most expense categories that was partially offset by lower bad debt expense. The **RAD 6 Dev Corp** properties ended the quarter with a shortfall of ($606,044), which resulted in a negative cash flow variance of $420,612 when compared to the projected shortfall of ($185,432). Collectively, this resulted from lower rental revenue and higher vacancy loss coupled with overages in maintenance, bad debt, and utility expenses.

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

The first group includes properties that were budgeted to provide unrestricted net cash flow toward the Agency's FY'24 Operating Budget. This group ended the quarter with cash flow of $153,788 or $424,256 less than projected.

- Cash flow at **MPDU I (64)** was $51,265 more than anticipated because of savings in bad debt and administrative expenses coupled with lower vacancy loss. **Avondale Apartments** reported a negative cash flow variance of $19,047 based on higher debt service expense, due to increased rates on the PNC Real Estate Line of Credit ("RELOC") and higher maintenance costs coupled with lower rental revenue and higher vacancy loss partially offset by lower administrative expenses. **Barclay Affordable** experienced a negative cash flow variance of $18,357 resulting from higher maintenance and bad debt expense that were partially offset by savings in utility and administrative expenses coupled with slightly higher gross rent potential and lower vacancy loss. **Bradley Crossing** ended the quarter with a negative variance of $212,652 as a result of lower rental revenue and higher vacancy loss and concessions coupled with overages in maintenance, administrative, and security costs and debt expenses, due to increased rates on the PNC Real Estate Line of Credit (“RELOC”), that were partially offset by lower bad debt expense. **Camp Hill Square** experienced a negative cash flow variance of $49,788 because of higher vacancy loss coupled with higher maintenance and bad debt expenses that were partially offset by lower utility expenses. **The Day Care at Lost Knife Road** experienced a negative expense variance of $6,884 largely due to higher taxes paid at the property. As a result of a delay in transferring the remaining residents to The Leggett, **Elizabeth House Interim RAD** continued with occupancy through August 2023. Expenses at the property exceeded the revenue generated by $52,135 largely due to the payment for prior utility bills. Cash flow at **Holiday Park** was $25,504 lower than anticipated as a result of higher bad debt, utility and maintenance costs that were partially offset by lower vacancy loss. **Jubilee Falling Creek** experienced a negative cash flow variance of $11,139 due to overages in utility costs. **Jubilee Horizon Court** experienced a negative cash flow variance of $11,179 due to overages in maintenance to repair bathroom floors, bad debt, and utility costs. **Manchester Manor** reported a negative cash flow variance of $21,176 due to lower rental revenue and higher vacancy loss coupled with audit payments that were not provided for in the budget and overages in bad debt and maintenance expenses partially offset by savings in utility costs Cash flow for **McHome** was $19,777 more than budget based on savings throughout most expense categories. **McKendree** experienced a negative cash flow variance of $23,331 because of higher maintenance, bad debt and HOA fee expenses coupled with unplanned vacancy at the property. Cash flow for **MHLP IX – Pond Ridge** was $23,719 more than budget largely based on lower vacancy loss. **Scattered Sites MHLP IX Scattered Sites** experienced a positive cash flow variance of $23,050 mainly due to lower vacancy loss coupled with savings in administrative and utility costs that were partially offset by overages in maintenance and bad debt expenses and lower rental revenue. Cash flow for **MHLP X** was $19,766 lower than budget as a result of higher bad debt, maintenance and HOA fee expenses that was partially offset by lower debt service payments resulting from the refinance that occurred in August resulting in no payment for September and slightly lower vacancy loss. **Pooks Hill Mid-Rise** experienced a negative cash flow variance of $9,688 primarily as a result of lower rental revenue and higher vacancy loss coupled with overages in maintenance and utility costs that were partially offset by savings in administrative and bad debt expenses. **Westwood Towers** experienced a negative cash flow variance of $49,462 because of higher maintenance and utility costs that were partially offset by savings in security expenses. Cash flow at **The Willows** was $56,289 lower than anticipated due to overages in maintenance and utility expenses that were partially offset by savings in administrative expenses.

The second group consists of properties whose cash flow will not be used for the Agency’s FY’24 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 $481,359 less than budgeted.

- The demolition of **The Ambassador** was completed in April of 2020. The property experienced expenses of $28,327 driven by interest paid on the outstanding debt on the PNC RELOC, filing fees for the tax return and personal property taxes. There are sufficient reserves at the property to cover the costs. **Battery Lane**, experienced a negative cash flow variance of $121,258 largely due to higher vacancy loss and slightly lower rental revenue coupled with higher maintenance, bad debt, and debt service expenses, due to increased rates on the PNC Real Estate Line of Credit ("RELOC") that were partially offset by savings in administrative and utility expenses. **Brooke Park** experienced a negative cash flow variance of $18,920, mainly resulting from a delay in occupying the units post renovation coupled with small overages in most expense categories. **Brookside Glen** reported a negative cash flow variance of $58,642 at quarter end due to higher vacancy loss coupled with higher maintenance, and utility expenses that were partially offset by savings in administrative costs and bad debt expenses. **Cider Mill** reported a negative cash flow variance of $262,419 due to higher vacancy loss coupled with overages in bad debt, security and administrative costs that were partially offset by savings in maintenance expenses. **Diamond Square** ended the quarter with a negative cash flow variance of $40,781 primarily resulting from higher bad debt, administrative, and utility costs coupled with higher vacancy loss that was partially offset by savings in maintenance expenses. Cash flow at **Paint Branch** was $43,910 more than anticipated largely as a result of rent adjustments from prior periods coupled with lower bad debt expense that was partially offset but higher maintenance contract expense. **Southbridge** experienced a negative cash flow variance of $18,876 due to higher lower vacancy loss coupled with overages in bad debt and security expenses that were partially offset by small savings in administrative and maintenance costs.

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

- The Housing Choice Voucher Program ("HCVP") ended the quarter with a surplus of $749,789. The surplus was comprised of an administrative surplus of $1,496,732 countered by Housing Assistance Payment ("HAP") payments that exceeded HAP revenue by $746,943. 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 89.5% to 95% coupled and fees received for additional homeless vouchers.

<u>Tax Credit Partnerships</u>

The Tax Credit Partnerships have a calendar year end and as a result are not included in this fiscal year presentation.

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

Attachment E is a chart of the Capital Improvements Budget for FY'24. 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.

There were a few properties with nominal unplanned capital expenditures that have sufficient reserves to cover the expense. **Holiday Park** exceeded its capital budget due to unanticipated replacements of HVAC and water heater units. **Pooks Hill Midrise** exceeded its capital budget due to unanticipated replacements of HVAC units. **Sligo MPDU III** exceeded its capital budget as a result of unanticipated kitchen and bathroom replacements.

FY 2024 First Quarter Operating Budget to Actual Comparison

	Unrestricted Net Cash Flow (3 Months) Budget	(3 Months) Actual	Variance
General Fund			
General Fund	($4,291,849)	($3,764,888)	$526,961
Administration of Multifamily and Single Family Fund			
Multifamily Fund	$874,174	$901,984	$27,810
Draw from / (Restrict to) Multifamily Bond Fund	($874,174)	($901,984)	($27,810)
Single Family Fund	$389,836	$419,647	$29,811
Draw from / (Restrict to) Single Family Bond Fund	($389,836)	($419,647)	($29,811)
Opportunity Housing Fund			
Opportunity Housing Properties	$578,044	$153,788	($424,256)
Development Corporation Property Income	$1,665,308	$1,016,029	($649,279)
Restricted Development Corporations with Deficits	($185,432)	($606,044)	($420,612)
OHRF			
OHRF Balance	$1,752,793	$118,005	($1,634,788)
Excess Cash Flow Restricted	($1,752,793)	($118,005)	$1,634,788
Draw from existing funds	$0	$0	$0
Net -OHRF	**$0**	**$0**	**$0**
SUBTOTAL - General Fund, Multifamily, Single Family, Opportunity Housing	**($2,233,929)**	**($3,201,115)**	**($967,186)**
Public Fund			
(1) Housing Choice Voucher Program HAP	($1,817,379)	($746,943)	$1,070,436
(2) Housing Choice Voucher Program Admin	($61,666)	$1,496,732	$1,558,398
Total -Public Fund	**($1,879,045)**	**$749,789**	**$2,628,834**
Public Fund - Reserves			
(1) Draw from / Restrict to HCV Program Cash Reserves	$1,817,379	$746,943	($1,070,436)
(2) Draw from / Restrict to HCV Program Excess Admin Fee	$61,666	($1,496,732)	($1,558,398)
SUBTOTAL - Public Funds	**$0**	**$0**	**$0**
TOTAL - All Funds	**($2,233,929)**	**($3,201,115)**	**($967,186)**

FY 2024 First Quarter Operating Budget to Actual Comparison

	Capital Expenses (12 Months) Budget	(3 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	$8,259,366	$1,752,476	$6,506,890
TOTAL - All Funds	**$9,531,366**	**$2,126,756**	**$7,359,093**

FY 2024 First Quarter Operating Budget to Actual Comparison

Development Corp Properties - Net Cash Flow

	(3 Months) Net Cash Flow Budget	Variance Income	Variance Expense	(3 Months) Net Cash Flow Actual	Variance
Properties with unrestricted cash flow for FY21 operating budget					
Alexander House Dev Corp	$63,700	($14,491)	($146,613)	($97,404)	($161,104)
The Barclay Dev Corp	($16,402)	$1,527	$10,408	($4,467)	$11,935
Glenmont Crossing Dev Corp	$153,976	($12,571)	$51,339	$192,745	$38,769
Glenmont Westerly Dev Corp	$93,427	$2,920	($31,552)	$64,795	($28,632)
Magruder's Discovery Dev Corp	$164,179	($61,934)	($32,010)	$70,235	($93,944)
The Metropolitan Dev Corp	$485,298	$56,874	($144,638)	$397,533	($87,765)
Metropolitan Affordable	($92,251)	$4,748	($19,822)	($107,325)	($15,074)
Montgomery Arms Dev Corp	$137,135	($59,218)	$111	$78,028	($59,107)
MPDU II (59) Dev Corp	$54,620	($2,805)	$7,240	$59,055	$4,435
Paddington Square Dev Corp	$141,498	($15,591)	($94,179)	$31,728	($109,770)
Pooks Hill High-Rise Dev Corp	$183,224	$6,724	$391	$190,339	$7,115
Scattered Site One Dev Corp	($61,887)	($1,173)	$13,992	($49,068)	$12,819
Scattered Site Two Dev Corp	($41,326)	($24,711)	($23,637)	($89,674)	($48,348)
Sligo MPDU III Dev Corp	($4,316)	$1,041	($47,068)	($50,343)	($46,027)
VPC One Dev Corp	$228,104	($214,580)	($10,578)	$2,947	($225,157)
VPC Two Dev Corp	$176,329	($9,487)	$160,063	$326,905	$150,576
Subtotal	**$1,665,308**	**($342,727)**	**($306,553)**	**$1,016,029**	**($649,279)**
Properties with restricted cash flow (external and internal)					
MetroPointe Dev Corp	($37,022)	$3,867	($28,726)	($61,881)	($24,859)
Oaks at Four Corners Dev Corp	$66,459	($3,305)	$16,540	$79,693	$13,234
RAD 6 Dev Corp Total	**($185,432)**	**($139,580)**	**($281,032)**	**($606,044)**	**($420,612)**
Ken Gar Dev Corp	($580)	($15,230)	($24,611)	($40,421)	($39,841)
Parkway Woods Dev Corp	($3,281)	$13,761	($20,404)	($9,924)	($6,643)
Sandy Spring Meadow Dev Corp	($7,526)	($27,592)	($39,661)	($74,779)	($67,253)
Seneca Ridge Dev Corp	($127,401)	($50,108)	($52,829)	($230,338)	($102,937)
Towne Centre Place Dev Corp	$1,871	($34,369)	($77,991)	($110,489)	($112,360)
Washington Square Dev Corp	($48,515)	($26,042)	($65,536)	($140,093)	($91,578)
Subtotal	**($155,995)**	**($139,018)**	**($293,218)**	**($588,232)**	**($432,237)**
TOTAL ALL PROPERTIES	**$1,509,313**	**($481,745)**	**($599,771)**	**$427,797**	**($1,081,516)**

FY 2024 First Quarter Operating Budget to Actual Comparison

For Opportunity Housing Properties - Net Cash Flow

	(3 Months) Net Cash Flow Budget	Variance Income	Variance Expense	(3 Months) Net Cash Flow Actual	Variance
Properties with unrestricted cash flow for FY22 operating budget					
MPDU I (64)	($5,425)	$16,193	$35,072	$45,840	$51,265
Avondale Apartments	$6,545	($8,150)	($10,897)	($12,502)	($19,047)
Barclay Affordable	$8,131	$7,653	($26,010)	($10,226)	($18,357)
Bradley Crossing	$407,857	($103,541)	($109,111)	$195,205	($212,652)
Camp Hill Square	($17,344)	($13,538)	($36,250)	($67,132)	($49,788)
Chelsea Towers	$28,441	($7,369)	$5,850	$26,922	($1,519)
Day Care at Lost Knife Road	($30,600)	$0	($6,884)	($37,484)	($6,884)
Elizabeth House Interim RAD	$0	$91,031	($143,166)	($52,135)	($52,135)
Fairfax Court	$5,839	$1,452	($1,637)	$5,654	($185)
Holiday Park	($87,372)	$5,639	($31,143)	($112,876)	($25,504)
Jubilee Falling Creek	($920)	$15	($11,154)	($12,059)	($11,139)
Jubilee Hermitage	($7,146)	$425	$947	($5,774)	$1,372
Jubilee Horizon Court	($358)	($154)	($11,025)	($11,537)	($11,179)
Jubilee Woodedge	($4,114)	($3)	$278	($3,840)	$274
King Farm Village	$852	$232	$417	$1,501	$649
Manchester Manor	($18,076)	($14,199)	($6,977)	($39,252)	($21,176)
McHome	($2,956)	($1,469)	$21,246	$16,821	$19,777
McKendree	$7,021	($2,322)	($21,008)	($16,310)	($23,331)
MHLP VII	($78,457)	$1,296	$3,921	($73,240)	$5,217
MHLP VIII	($55,803)	$12,675	($8,268)	($51,396)	$4,407
MHLP IX Pond Ridge	($54,106)	$22,684	$1,035	($30,387)	$23,719
MHLP IX Scattered Sites	($101,146)	$41,422	($18,371)	($78,096)	$23,050
MHLP X	($36,031)	$5,186	($24,953)	($55,797)	($19,766)
MPDU 2007 Phase II	$3,333	($3,483)	($4,004)	($4,154)	($7,487)
Olney Sandy Spring Road	$0	$125	($460)	($335)	($335)
Pooks Hill Mid-Rise	$80,193	($12,919)	$3,231	$70,505	($9,688)
Strathmore Court	$98,087	$26,984	($15,634)	$109,437	$11,350
TPP LLC Pomander Court	($13,310)	$1,435	$12,668	$793	$14,103
TPP LLC Timberlawn	$169,851	($412)	$16,896	$186,335	$16,484
Westwood Tower	$180,237	$11,328	($60,790)	$130,775	($49,462)
The Willows	$94,821	($866)	($55,423)	$38,532	($56,289)
Subtotal	**$578,044**	**$77,350**	**($501,604)**	**$153,788**	**($424,256)**
Properties with restricted cash flow (external and internal)					
The Ambassador	$0	$0	($28,327)	($28,327)	($28,327)
Battery Lane	$155,564	($59,605)	($61,653)	$34,306	($121,258)
Brooke Park	$8,367	($16,177)	($2,743)	($10,553)	($18,920)
Brookside Glen (The Glen)	$64,044	($38,939)	($19,704)	$5,402	($58,642)
Brookville Road	($90,133)	$1	$33,650	($56,482)	$33,651
CDBG Units	$1,862	$25	$1,042	$2,930	$1,068
Cider Mill Apartments	($64,713)	($190,222)	($72,197)	($327,132)	($262,419)
Dale Drive	($1,382)	($457)	$4,658	$2,819	$4,201
Diamond Square	$59,989	$4,393	($45,173)	$19,208	($40,781)
NCI Units	$3,062	($6,113)	($5,091)	($8,142)	($11,204)
NSP Units	$5,554	($8,220)	$421	($2,245)	($7,799)
Paint Branch	$9,291	$55,572	($11,662)	$53,201	$43,910
Southbridge	$29,763	($4,183)	($14,693)	$10,887	($18,876)
State Rental Combined	($173,825)	$19,746	($15,708)	($169,788)	$4,037
Subtotal	**$7,443**	**($244,179)**	**($237,180)**	**($473,916)**	**($481,359)**
TOTAL ALL PROPERTIES	**$585,487**	**($166,829)**	**($738,784)**	**($320,128)**	**($905,615)**

Attachment C

FY 2024 First Quarter Operating Budget to Actual Comparison

For HUD Funded Programs

	(3 Months) Budget	(3 Months) Actual	Variance
Housing Choice Voucher Program			
HAP revenue	$28,893,407	$30,090,323	$1,196,916
HAP payments	$30,710,786	$30,837,266	$126,480
Net HAP	**($1,817,379)**	**($746,943)**	**$1,070,436**
Admin.fees & other inc.	$2,813,976	$3,933,217	$1,119,241
Admin. Expense	$2,875,642	$2,436,485	$439,157
Net Administrative	**($61,666)**	**$1,496,732**	**$1,558,398**
Net Income	**($1,879,045)**	**$749,789**	**$2,628,834**

Attachment D

FY 2024 First Quarter Operating Budget to Actual Comparison

For Capital Improvements

	(12 Months) Budget	(3 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			
Alexander House Dev Corp	$220,700	$22,742	$197,958
Avondale Apartments	$18,148	$1,087	$17,061
The Barclay Dev Corp	$176,508	$28,555	$147,953
Barclay Affordable	$187,440	$25,788	$161,652
Battery Lane	$44,000	$40,609	$3,391
Bradley Crossing	$86,898	$41,330	$45,568
Brooke Park	$2,400	$0	$2,400
Brookside Glen (The Glen)	$110,654	$35,487	$75,167
Camp Hill Square	$38,600	$18,825	$19,775
CDBG Units	$6,324	$0	$6,324
Chelsea Towers	$13,800	$7,200	$6,600
Cider Mill Apartments	$1,987,388	$201,341	$1,786,047
Dale Drive	$8,700	$0	$8,700
Diamond Square	$156,628	$11,320	$145,308
Fairfax Court	$133,152	$16,189	$116,963
Glenmont Crossing Dev Corp	$39,997	$36,609	$3,388
Glenmont Westerly Dev Corp	$56,759	$27,879	$28,880
Holiday Park	$9,615	$19,117	($9,502)
Jubilee Falling Creek	$0	$518	($518)
Jubilee Hermitage	$600	$0	$600
Jubilee Horizon Court	$0	$4,958	($4,958)
Jubilee Woodedge	$600	$507	$93
Ken Gar Dev Corp	$0	$6,979	($6,979)
Magruder's Discovery Dev Corp	$82,200	$34,221	$47,979
Manchester Manor	$68,580	$31,501	$37,079
McHome	$27,264	$7,537	$19,727
McKendree	$32,184	$22,856	$9,328
MetroPointe Dev Corp	$187,634	$10,598	$177,036
The Metropolitan Dev Corp	$81,302	$19,521	$61,781
Metropolitan Affordable	$7,250	$7,247	$3
Montgomery Arms Dev Corp	$87,000	$20,356	$66,644
MHLP VII	$28,470	$23,052	$5,418
MHLP VIII	$61,593	$17,317	$44,276
MHLP IX - Pond Ridge	$94,588	$9,029	$85,559
MHLP IX - Scattered Sites	$73,596	$47,368	$26,228
MHLP X	$115,548	$29,140	$86,408
MPDU 2007 Phase II	$2,540	$0	$2,540
MPDU I (64)	$67,416	$17,112	$50,304
MPDU II (59) Dev Corp	$74,275	$5,241	$69,034
Oaks at Four Corners Dev Corp	$153,080	$8,525	$144,555
NCI Units	$8,484	$3,717	$4,767
NSP Units	$5,004	$3,250	$1,754
Paddington Square Dev Corp	$211,614	$53,550	$158,064
Paint Branch	$15,480	$16,477	($997)
Parkway Woods Dev Corp	$63,850	$4,613	$59,237
Pooks Hill High-Rise Dev Corp	$142,400	$22,239	$120,161
Pooks Hill Mid-Rise	$21,900	$29,122	($7,222)
Sandy Spring Meadow Dev Corp	$38,075	$4,274	$33,801
Scattered Site One Dev Corp	$227,031	$45,139	$181,892
Scattered Site Two Dev Corp	$73,110	$21,582	$51,528
Seneca Ridge Dev Corp	$72,216	$11,271	$60,945
Sligo MPDU III Dev Corp	$17,136	$23,062	($5,926)
Southbridge	$27,996	$2,724	$25,272
State Rental Combined	$589,788	$97,737	$492,051
Strathmore Court	$837,552	$166,083	$671,469
Towne Centre Place Dev Corp	$23,500	$11,840	$11,660
TPP LLC Pomander Court	$23,300	$6,315	$16,985
TPP LLC Timberlawn	$271,370	$21,930	$249,440
VPC One Dev Corp	$257,600	$67,608	$189,992
VPC Two Dev Corp	$200,292	$32,986	$167,306
Washington Square Dev Corp	$45,796	$38,111	$7,685
Westwood Tower	$250,000	$147,209	$102,791
The Willows	$292,441	$63,976	$228,465
Subtotal	**$8,259,366**	**$1,752,476**	**$6,506,890**
TOTAL	**$9,531,366**	**$2,126,756**	**$7,404,610**

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, President/Executive Director

FROM: Staff: Timothy Goetzinger, Senior Vice President Finance/CFO
Terri Fowler, Budget Officer

RE: **Fiscal Year 2024 (FY'24) First Quarter Budget Amendment:** Presentation of the FY'24 First Quarter Budget Amendment

DATE: December 20, 2023

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

ISSUES FOR CONSIDERATION:

Operating Budget Amendments: Below are descriptions of the proposed amendments for FY'24:

- **General Fund:**

  - The FY'24 First Quarter Budget Amendment requests authorization to rollover unspent capital funds for Facilities to cover a Security System upgrade for the cameras and access control, and HVAC replacement at the East Deer Park Office. This budget amendment identifies the cash that was restricted in FY'23 as the source for the expenditures and will be reflected in the FY'24 budget as a transfer in and transfer out of existing cash. Both income and expenses in the General Fund will increase by $115,817 to reflect the source and use of the funds to pay for the capital expenditures.

  - The FY'24 First Quarter Budget Amendment requests authorization to rollover unspent capital funds for Information Technologies ("IT") to cover the implementation of an online Budget System, purchasing a Privileged Management Platform ("PMP"), and upgrading the wireless network infrastructure. This budget amendment identifies the cash that was restricted in FY'23 as the source for the expenditures and will be reflected in the FY'24 budget as a transfer in and transfer out of existing cash. Both income and expenses in the General Fund will increase by $143,000 to reflect the source and use of the funds to pay for the capital expenditures.

- **Bond Funds:** Bond draws are made each year to fund the administrative costs associated with the Multifamily and Single Family Bond Programs. As a result of expense savings over the past few years, remaining money from the draws has been restricted to cover future program costs. Staff proposes that the FY'24 budgeted draws for these funds be reduced by the accumulated savings in each fund.

    - **Multifamily Bond Funds:** Accumulated savings in the Multifamily Bond Fund is $112,930. The projected draw of $2,568,761 will be reduced by this amount and the savings will be used towards FY'24 administrative costs. Therefore, there is no impact to the income of the fund. The revised draw will be $2,455,831.

    - **Single Family Bond Funds:** Accumulated savings in the Single Family Bond Fund is $185,028. The projected draw of $1,644,894 will be reduced by this amount and the savings will be used towards FY'24 administrative costs. Therefore, there is no impact to the income of the fund. The revised draw will be $1,459,866.

- **Opportunity Housing:** As a result of the failed fire panel at **Westwood Towers**, the property has implemented a fire watch for the duration of the replacement installation which will increase operating expenses by approximately $160,000. To offset the impact to HOC's operating budget, the contribution to the Debt Service Account, which is governed by the Commission, will be reduced by $160,000 to cover this unexpected expenditure.

- **Public Funds:** Subsequent to the adoption of the FY'24 Agency budget, the County informed the Agency that it would receive inflationary increases on several grants noted below. Both income and expenses in the respective grants will be increased by the amount of the increase for a total increase of $29,569 in the Public Fund.

    - **Housing Stabilization:** $7,888
        - The management fee paid to the Agency will be increased by $430 resulting in an increase in income in the General Fund.
    - **Housing Locator:** $2,921
    - **McKinney XIV:** $4,799
    - **McKinney X:** $13,961

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

- **Capital Improvements:**

    - **Capital Roll Over for Facilities (General Fund):** All planned capital expenses for Facilities were not completed in FY'23. Therefore, staff requests that $115,817 be rolled forward and included in the FY'24 Budget to fund a Security System upgrade for the cameras and access control, and HVAC replacement at the East Deer Park Office.

- **Capital Roll Over for Information Technologies (General Fund):** All planned capital expenses for Information Technologies ("IT") were not completed in FY'23. Therefore, staff requests that $143,000 be rolled forward and included in the FY'24 Budget to fund implementation of an online Budget System, purchasing of a Privileged Management Platform ("PMP"), and upgrades in the wireless network infrastructure.

- **Capital Roll Over for Opportunity Housing Fund Properties:** Each year, Property Management reviews capital budgets at year-end and requests capital funds to roll forward to the next year. This is necessary, as there are always capital projects that have not been completed by year-end. This year, Property Management has requested that $157,319 for Strathmore Court be rolled forward and included in the FY'24 Budget. This work, which involves replacing the horns in all apartments and power washing the garage, will be funded from property replacement reserves.

BUDGET IMPACT:

The net budget impact of the FY'24 First Quarter Budget Amendment is a surplus of $430. The FY'24 Adopted Budget includes a projected restriction of $1,105,853 to the General Fund Operating Reserve ("GFOR") to balance the budget. Staff recommends that the anticipated restriction be increased by $430 to $1,106,283 in order to maintain a balanced budget.

The total FY'24 Operating Budget for HOC increased from $339,312,133 to $339,600,949. This is an increase of $288,816. The total FY'24 Capital Budget for HOC has increased from $255,186,004 to $255,602,140. This is an increase of $416,136. Approval by the Commission of any budget amendments will revise the FY'24 Budget to reflect an accurate plan for the use of the Agency's resources for the remainder of the year.

TIME FRAME:

For informal discussion at the December 20, 2023 Budget, Finance and Audit Committee meeting. For formal Commission action at the January 10, 2024 meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff requests that the Budget, Finance and Audit Committee join its recommendation to the full Commission for approval of the proposed FY'24 First Quarter Budget Amendment.

FY 2024 Operating Budget First Quarter Amendment	Revenues	Expenses	Adopted Budget	Net Changes To Revenue	Net Changes To Expenses	Revenues	Expenses	First Quarter Budget Amendment
General Fund								
General Fund	$32,585,199	$34,444,689	($1,859,490)	$259,247	$258,817	$32,844,446	$34,703,506	($1,859,060)
Restrict to General Fund Operating Reserve("GFOR")	$0	$1,105,853	($1,105,853)	$0	$430	$0	$1,106,283	($1,106,283)
Multifamily & Single Family Bond Funds								
Multifamily Fund	$20,122,059	$20,122,059	$0	$0	$0	$20,122,059	$20,122,059	$0
Single Family Fund	$8,772,560	$8,772,560	$0	$0	$0	$8,772,560	$8,772,560	$0
Opportunity Housing Fund								
Opportunity Housing Reserve Fund ("OHRF")	$10,929,568	$1,590,240	$9,339,328	$0	$0	$10,929,568	$1,590,240	$9,339,328
Restricted to OHRF	$0	$9,339,328	($9,339,328)	$0	$0	$0	$9,339,328	($9,339,328)
Opportunity Housing & Dev Corps	$111,355,855	$108,517,447	$2,838,408	$0	$0	$111,355,855	$108,517,447	$2,838,408
Draw from GFOR for MetroPointe Deficit	$126,935	$0	$126,935	$0	$0	$126,935	$0	$126,935
Public Fund								
Housing Choice Voucher Program ("HCVP")	$135,896,846	$135,715,087	$181,759	$0	$0	$135,896,846	$135,715,087	**$181,759**
Restrict to HCVP HAP Reserve	$0	$179,100	($179,100)	$0	$0	$0	$179,100	**($179,100)**
Restrict to HCVP Administrative Reserve	$0	$2,659	($2,659)	$0	$0	$0	$2,659	**($2,659)**
Federal and Other County Grants	$19,523,111	$19,523,111	$0	$29,569	$29,569	$19,552,680	$19,552,680	**$0**
TOTAL - ALL FUNDS	**$339,312,133**	**$339,312,133**	**$0**	**$288,816**	**$288,816**	**$339,600,949**	**$339,600,949**	**$0**

Footnotes - explanation of changes recommended to adopted

GF R	$430	Add additional Management Fee from Grants
GF R	$115,817	Add funds restricted in FY'23 for East Deer Park Capital Rollover
GF E	$115,817	Add funds restricted in FY'23 for East Deer Park Capital Rollover
GF R	$143,000	Add funds restricted in FY'23 for IT Capital Rollover
GF E	$143,000	Add funds restricted in FY'23 for IT Capital Rollover
GF E	$430	Increase Restriction to the GFOR
MF R	($112,930)	Reduce Multifamily Bond Fund draw by FY'23 accumulated savings
MF R	$112,930	Add carryover of cumulative savings
SF R	($185,028)	Reduce Single Family Bond Fund draw by FY'23 accumulated savings
SF R	$185,028	Add carryover of cumulative savings
OH E	$160,000	Add funding for Fire Watch at Westwood Towers
OH E	($160,000)	Reduce contribution to the Property Debt Service Res.
PF R	$7,888	Increase **Housing Stabilization** Grant Income
PF R	$2,921	Increase **Housing Locator** Grant Income
PF R	$4,799	Increase **McKinney XIV** Grant Income
PF R	$13,961	Increase **McKinney X** Grant Income
	$29,569	
PF E	$7,888	Increase **Housing Stabilization** Grant Expense
PF E	$2,921	Increase **Housing Locator** Grant Expense
PF E	$4,799	Increase **McKinney XIV** Grant Expense
PF E	$13,961	Increase **McKinney X** Grant Expense
	$29,569	

FY 2024 Capital Budget First Quarter Amendment	Revenues	Expenses	Adopted Budget	Net Changes to Revenue	Net Changes to Expenses	Revenues	Expenses	1st Quarter Amendment
Capital Improvements								
East Deer Park	$50,000	$50,000	**$0**	$115,817	$115,817	$165,817	$165,817	**$0**
Kensington Office	$100,000	$100,000	**$0**	$0	$0	$100,000	$100,000	**$0**
880 Bonifant	$50,000	$50,000	**$0**	$0	$0	$50,000	$50,000	**$0**
Information Technology	$600,000	$600,000	**$0**	$143,000	$143,000	$743,000	$743,000	**$0**
Opportunity Housing Properties	$8,259,366	$8,259,366	**$0**	$157,319	$157,319	$8,416,685	$8,416,685	**$0**
	$9,059,366	**$9,059,366**	**$0**	**$416,136**	**$416,136**	**$9,475,502**	**$9,475,502**	**$0**
Capital Development Projects								
Bauer Park Apartments	$3,525,525	$3,525,525	**$0**	$0	$0	$3,525,525	$3,525,525	**$0**
Deeply Affordable Units	$1,250,000	$1,250,000	**$0**	$0	$0	$1,250,000	$1,250,000	**$0**
Elizabeth House III (now The Leggett)	$10,571,825	$10,571,825	**$0**	$0	$0	$10,571,825	$10,571,825	**$0**
Georgian Court	$17,486,428	$17,486,428	**$0**	$0	$0	$17,486,428	$17,486,428	**$0**
Hillandale Gateway - Senior	$27,038,333	$27,038,333	**$0**	$0	$0	$27,038,333	$27,038,333	**$0**
Hillandale Gateway - Multifamily / Retail (Market)	$36,084,523	$36,084,523	**$0**	$0	$0	$36,084,523	$36,084,523	**$0**
Hillandale Gateway - Multifamily / Retail (Tax Credit)	$13,915,194	$13,915,194	**$0**	$0	$0	$13,915,194	$13,915,194	**$0**
Metropolitan	$108,840,585	$108,840,585	**$0**	$0	$0	$108,840,585	$108,840,585	**$0**
Shady Grove	$9,140,961	$9,140,961	**$0**	$0	$0	$9,140,961	$9,140,961	**$0**
Stewartown Homes	$3,735,486	$3,735,486	**$0**	$0	$0	$3,735,486	$3,735,486	**$0**
Upton II (now Residences on The Lane)	$250,000	$250,000	**$0**	$0	$0	$250,000	$250,000	**$0**
West Side Shady Grove (now The Laureate)	$7,797,506	$7,797,506	**$0**	$0	$0	$7,797,506	$7,797,506	**$0**
Willow Manor Resyndication	$6,490,272	$6,490,272	**$0**	$0	$0	$6,490,272	$6,490,272	**$0**
	$246,126,638	**$246,126,638**	**$0**	**$0**	**$0**	**$246,126,638**	**$246,126,638**	**$0**
TOTAL - ALL FUNDS	**$255,186,004**	**$255,186,004**	**$0**	**$416,136**	**$416,136**	**$255,602,140**	**$255,602,140**	**$0**

Footnotes - explanation of changes

GF-Fac R $115,817 Roll forward Facilities FY'23 Capital for East Deer Park
GF-Fac E $115,817 Roll forward Facilities FY'23 Capital for East Deer Park

GF-IT R $143,000 Roll forward IT FY'23 Capital
GF-IT E $143,000 Roll forward IT FY'23 Capital

OH R $157,319 Add Strathmore Court roll over budget from FY'23
OH E $157,319 Add Strathmore Court roll over budget from FY'23

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, President/Executive Director

FROM Staff: Timothy Goetzinger, Senior Vice President Finance/CFO
Eugenia Pascual, Controller
Francisco Vega, Assistant Controller
Claudia Wilson, Accounting Manager
Nilou Razeghi, Accounting Manager
Miriam Caballero, Acting Accounting Manager

RE: **Fiscal Year 2024 (FY'24) First Quarter Un-Audited Financial Statements:**
Presentation of the Un-Audited Financial Statements for the First Quarter Ended September 30, 2023

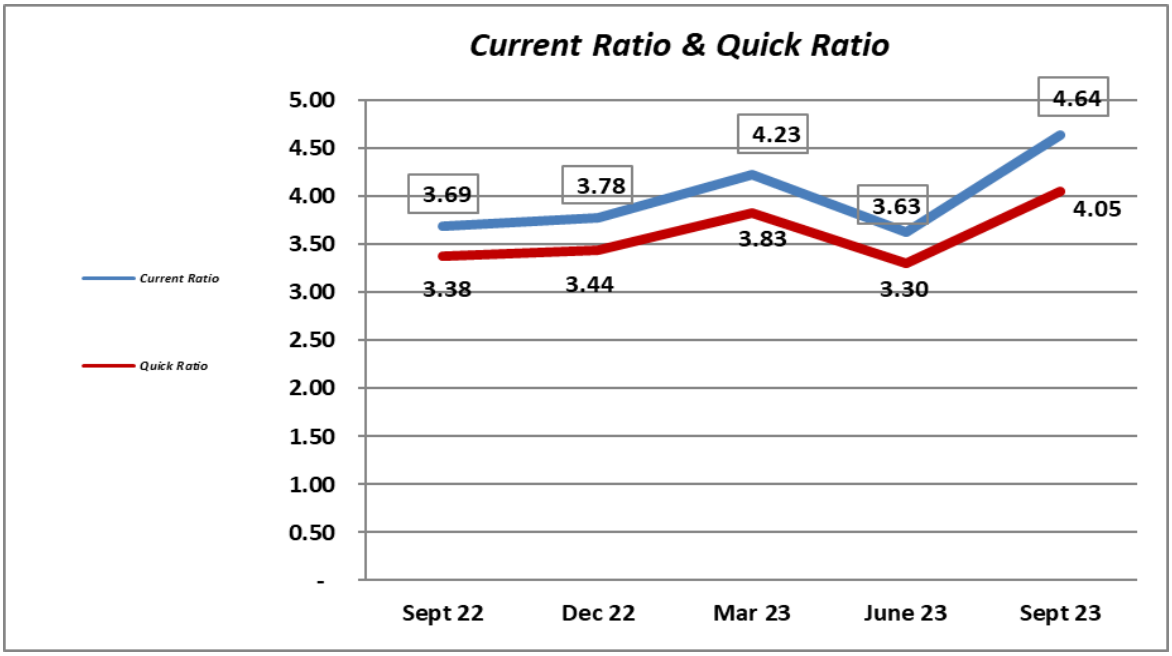
DATE: December 20, 2023

Attached please find the un-audited consolidated financial statements for the Housing Opportunities Commission of Montgomery County ("HOC" or "Commission") for the first quarter ended September 30, 2023.

Financial Highlights:

- The Commission's net position decreased by $9.5 million or 3.21% from last year attributed to the net operating loss during the first quarter ending September 30, 2023. After adjusting, the net income for the unrealized loss on investment, HOC ended the first quarter with an adjusted net loss of $3.1 million compared to an adjusted net loss of $5.6 million for the same period last fiscal year.

- The Commission's current ratio (ratio of current assets to current liabilities) increased from 3.63 in June 2023 to 4.64 in September 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 3.30 in June 2023 to 4.05 in September 2023. The increase is mainly attributed to the decrease in the current bond payables driven by scheduled bond redemptions within both bond funds, along with the decrease in the Multifamily Bond Fund undrawn proceeds payable due to additional bond draws for HOC at Westside Shady Grove LLC and HOC at Shady Grove LLC.



- The Commission's total assets excluding the deferred outflows of resources decreased by $34.1 million or 1.68% since June 30, 2023. This is largely due to a decrease in restricted and unrestricted cash, cash equivalents and investments, partially offset by an increase in mortgage and construction loans receivable, advances to component units, and accounts receivable and other assets.

- The decrease in restricted cash, cash equivalents and investments is mainly due to additional bond draws for HOC at West Side Shady Grove LLC and HOC at Shady Grove LLC and scheduled bond redemption and interest payments within the Single Family and Multifamily Bond Fund.

- The decrease in unrestricted cash and cash equivalents is driven by a decrease in the General Fund due to the payment of FY2024 commercial liability insurance, property taxes and Yardi annual license and maintenance for Yardi Saas private cloud system, a decrease in the Opportunity Housing Reserve Fund ("OHRF"), and an increase in advances to several component units due to timing (See note 1.b). The decrease in the OHRF is largely due to bridge financing for HOC at Shady Grove LLC and Hillandale Gateway LLC predevelopment expenses, funding of HOC at CCL Multifamily-Member equity contribution and final payment of Hooten contract for Bauer Park renovation. The timing of the remittance from the County for the County Main Grant and reimbursements from HUD for the McKinney program also contributed to the decrease in unrestricted operating cash. The Commission is actively working with both the County and HUD and expects reimbursement within the second quarter FY'24.

- The increase in total mortgage and construction loans receivable is mainly attributed to PNC Real Estate Line of Credit ("RELOC") advances for EH III/The Leggett, HOC at Willow Manor LLC and HOC at Upton II ("Upton/The Residence Lane") along with additional draws from the OHRF for HOC at Shady Grove LLC, Hillandale Gateway LLC, HOC at CCL Multifamily-Member and Bauer Park LP.

- The increase in accounts receivable and other assets is driven by the FY2024 prepaid insurance, Yardi license and maintenance fees under the General Fund, an increase in the Public Fund receivables from the County Main Grant as well as the resident rent receivables, net of the allowance for doubtful accounts and insurance claims receivable under the Opportunity Housing Fund.

- The increase in advances to component units is mainly due to the timing of the payment and the reimbursement of capital and operating expenditures at several properties through the Central Disbursement System. Major contributors are Elizabeth House III LP ("EH III/The Leggett"), South County Regional Recreation and Aquatic Center ("SCRRAC"), Arcola Towers RAD LP ("Arcola"), Waverly House RAD LP ("Waverly"), HOC at Stewartown Homes LLC, Hillandale Gateway LLC, CCL Multifamily LLC ("The Lindley"), Town Center Apartments, HOC at Willow Manor LLC and Forest Oak Towers LP. This increase is partially offset by a decrease at HOC at Westside Shady Grove LLC ("The Laureate").

- The Multifamily Bond Fund issued a $61 million new bond issued under the Multiple Purpose 2023 Series A&B Bonds for VPC One Corporation ("VPC1"), VPC Two Corporation ("VPC2"), Scattered Site Two Development Corporation ("Scattered Site2") and Montgomery Homes Limited Partnership X ("MHLP X"). The Multifamily Bond Fund also redeemed and retired bonds for $6.6 million under the Multifamily Housing Development Bonds (1996 Indenture) and $0.6 million under the Stand Alone 1998 Issue.

- The Single Family Bond Fund redeemed and retired bonds under the 1979 Indenture for $21 million, the 2019 Indenture for $1.4 million and the 2009 Indenture for $0.4 million.

- The amount of U.S. Department of Housing and Urban Development ("HUD") Housing Choice Voucher Program, Housing Assistance Revenue received by the Commission increased by 7.64% from $31.5 million in FY'23 to $34 million in FY'24.

Overall Agency Net Income (Loss)

The Commission has a net loss of $9.5 million as of the first quarter ending September 30, 2023, compared to a net loss of $12.9 million for the same period last year. However, after adjusting the net income for the recording of unrealized loss on investments, HOC ended the fiscal period with a net loss of $3.1 million as compared to a net loss of $5.6 million for the same period last fiscal year.

		FY 2024		FY 2023
Net Income (Loss)	$	(9,512,459)	$	(12,867,396)
Less:				
Unrealized Loss on Investments		6,431,219		7,262,011
Adjusted Net Income (Loss)	$	(3,081,240)	$	(5,605,385)
Amount of (Decrease)	$	2,524,145		

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.

Major contributors to HOC's adjusted net loss of $3.1 million as of the first quarter ending September 30, 2023 are provided in the below chart along with a comparison of the fiscal year ending September 30, 2022:

	Fiscal Year 2024 (in millions)	Fiscal Year 2023 (in millions)	Variance (in millions)
Housing Assistance Payments (HAP) Income	$ 33.9	$ 31.5	$ 2.4
Other Federal/State & County Grants	5.5	3.8	1.7
Investment Income	4.0	2.7	1.3
Interest on Mortgage and Construction Loans Receivable Income	2.3	1.9	0.4
Dwelling Rental Income	24.6	24.9	(0.3)
HAP Expense	(35.4)	(32.5)	(2.9)
Administration Expense	(14.9)	(11.5)	(3.4)
Maintenance Expense	(8.4)	(8.2)	(0.2)
Utilities Expense	(2.1)	(1.9)	(0.2)
Fringe Benefits	(1.6)	(3.4)	1.8
Interest Expense	(10.9)	(10.4)	(0.5)
Depreciation and amortization	(5.2)	(5.3)	0.1
Other Income Net of Other Expenses	5.1	2.8	2.3
Adjusted Net Income	$ (3.1)	$ (5.6)	$ 2.5

The Housing Assistance Payments (HAP) – revenue increased within the HCV Main Program, Emergency Housing Vouchers, HCV Incoming Portables, and Stability Voucher Program, partly offset by a decrease in earned HAP revenue under the 2017 Mainstream Program. The increase in HAP expense is driven by an increase in leasing and leasing costs within the HCV Main Program, HCV Outgoing and Incoming Portables, HCV Project Based Vouchers, Non-Elderly Persons with disabilities and Emergency Housing Vouchers, partly offset by a decrease in HCV VPC One Dev. Corp., HCV VPC Two Dev. Corp., and Designated Plan Vouchers.

The increase in state and county grants is attributed to an increase in the County Grant WSSC Sewer and Storm Line Improvement at Elizabeth Square, County Main Rental license fee, County Main Public Housing and County Main Rental Assistance.

The increase in the investment income is primarily driven by the Housing Production Fund ("HPF") Series 2021 Limited Obligation Bonds, Multiple Purpose ("MP") Bonds 2023 Series AB for Scattered Sites, Multifamily Housing Development Bonds ("MHDB") 2023 Series A for Upton II, the Single Family Mortgage Revenue Bonds ("MRB') 2022 Series ABCD and 2023 Series AB. Interest rates remained high throughout the year and contributed to the increase in investment income as well.

The decrease in dwelling rental income is largely due to the Elizabeth House RAD interim property, Cider Mill Apartments ("Cider Mill"), VPC1, Magruders Discovery Development Corporation ("Magruders") and HOC at Battery Lane, LLC ("Battery Lane"), partially offset by an increase in tenant income from Alexander House Dev Corp. ("Alexander House DC"), Paint Branch, Strathmore Court LP ("Strathmore") and Westwood Towers Apartments ("Westwood"). Bad debt expense for the fiscal period July 2023 to September 2023 amounted to about $2.5 million. As of September 30, 2023, the tenant receivable balance has increased by $1,290,439 from June 30, 2023, totaling $10,832,161. 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 lingering from the COVID-19 pandemic. Note that HOC has been provided with additional County rental arrearage resources that will help to reduce these new arrearages by approximately one-third or $483,000. HOC has commenced lease enforcement for non-payment of rent and expects this trend to abate over the coming quarters.

The increase in administrative expense is largely due to the cost of issuance related to the permanent financing of VPC1, VPC2, Scattered Sites2 and MHLP X, administrative salaries, online information services, and other operating professional services related to consulting and recruiting services within the General Fund and disbursement of the County Main and CDBG rental assistance funding, partly offset by a decrease in other operating services contracts related to Housing Choice Vouchers Program clients and inspection services.

The increase in maintenance expense is mainly due to General Fund computer equipment and computer software expenses related to application development and technical services.

The decrease in fringe benefits is largely attributed to a decrease in pension expense and accrued leave within the General Fund. The amortization payment to the Employees'

Retirement System's Unfunded Actuarial liability for FY'23 was made in September 2023. The amount due for FY'24 is scheduled to be paid after the reporting period.

The increase in interest expense is primarily driven by the Multifamily Fund MP 2023 Series AB for Scattered Sites and MHDB 2023 Series A for Upton II bonds and the Single Family Fund MRB 2023 Series AB, 2022 Series ABCD and 2008 Series ABCD bonds.

The increase in other income net of other expense is primarily due to an increase in HAP Administrative fees income as well as development and property management fees.

Adjusted Operating Revenue

The revenues from operations, when adjusted for HAP income and unrealized loss on investments, increased by $4.9 million for the first quarter ending September 30, 2023, when compared to the same period last year.

		FY 2024		FY 2023
Total Operating Revenue	$	69,499,415	$	61,403,812
Less:				
Housing Assistance Revenue		(33,916,014)		(31,507,787)
Unrealized Loss on Investments		6,431,219		7,262,011
Adjusted Total Operating Revenue	$	42,014,620	$	37,158,036
Amount of Increase (Decrease)	$	4,856,584		

All of the income categories registered an increase in FY'24 compared to the previous year except for a slight decrease in Dwelling Rental Income. The increase in state and county grants, investment income, and interest income on mortgage and construction loan receivable largely accounted for the increase in the total adjusted operating revenue.

Adjusted Operating Expenses

The operating expenses, when adjusted for HAP expense, increased by $2.4 million for the first quarter ending September 30, 2023, when compared to the same period last fiscal year.

		FY 2024		FY 2023
Total Operating Expenses	$	80,047,292	$	74,792,430
Less:				
Housing Assistance Payments (HAP)		(35,362,193)		(32,529,182)
Adjusted Total Operating Expenses	$	44,685,099	$	42,263,248
Amount of Increase (Decrease)	$	2,421,851		

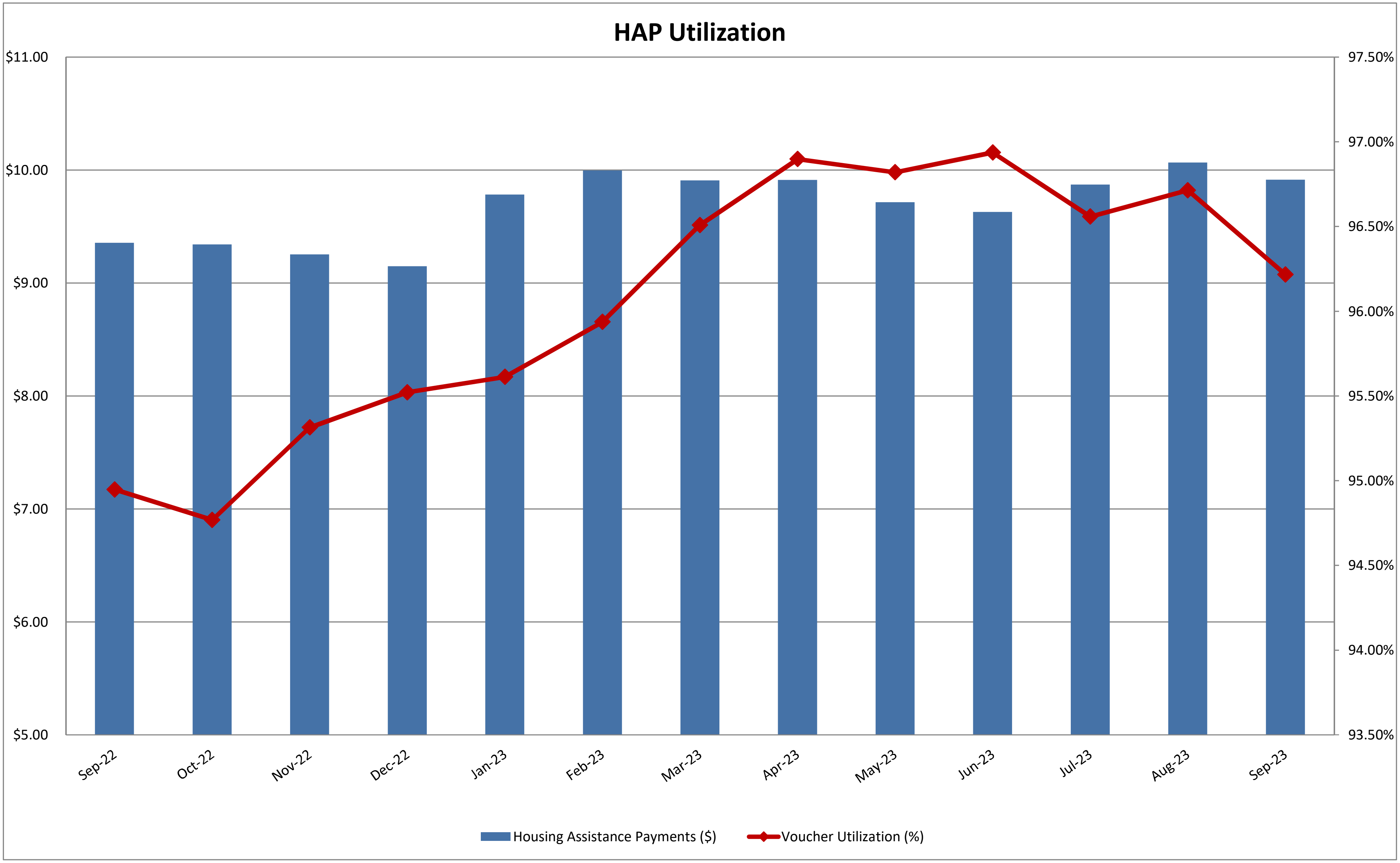
The increase in the adjusted operating expenses is mainly due to an increase in administrative expense, interest expense, maintenance, other expenses and utilities partly offset by lower fringe benefits, and depreciation expense.

Non-operating Revenues (Expenses)

The non-operating net revenues amount to $1 million for the first quarter ending September 30, 2023, as compared to a net income of $0.5 million for the same period last year. The increase in non-operating revenues is attributed to an increase in investment income, non-operating interest income on mortgage and construction loans receivable, and other grants partially offset by an increase in non-operating interest expense.

	FY 2024	FY 2023
Total Non-Operating Revenues (Expenses)	$ 1,035,418	$ 521,222
Amount of Increase (Decrease)	$ 514,196	

	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23
Housing Assistance Payments ($)	$9,355,907	$9,341,203	$9,252,794	$9,147,758	$9,782,366	$9,996,391	$9,906,793	$9,910,697	$9,714,369	$9,627,978	$9,869,809	$10,065,918	$9,912,993
Voucher Utilization (%)	94.95%	94.77%	95.31%	95.52%	95.61%	95.94%	96.51%	96.90%	96.82%	96.94%	96.56%	96.71%	96.22%
UNITS under LEASE	7,273	7,300	7,342	7,358	7,366	7,391	7,435	7,465	7,459	7,468	7,463	7,475	7,477
HUD Authorized BASE LINE	7,660	7,703	7,703	7,703	7,704	7,704	7,704	7,704	7,704	7,704	7,729	7,729	7,771



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

	Note Num.	9/30/2023	6/30/2023	Dollar Variance	Percentage Variance
Assets and Deferred Outflows					
Current Assets					
Unrestricted:					
Cash and cash equivalents	-1.a.-	$ 114,014,533	$ 122,787,629	$ (8,773,096)	(7.14%)
Interfund receivable (payable)		-	-	-	
Advances to component units	-1.b.-	11,446,883	7,487,772	3,959,111	52.87%
Accounts receivable and other assets	-1.c.-	33,890,321	29,023,057	4,867,264	16.77%
Accrued interest receivable	-1.d.-	18,583,632	17,633,698	949,934	5.39%
Lease Receivable Current		1,106,005	1,106,005	0	0.00%
Mortgage and construction loans receivable - currei	-1.e.-	11,414,576	11,842,353	(427,777)	(3.61%)
Total unrestricted current assets		**190,455,949**	**189,880,514**	**575,435**	0.30%
Restricted cash and cash equivalents and investments:					
Restricted cash and cash equivalents	-1.f.-	146,650,641	168,603,553	(21,952,912)	(13.02%)
Restricted short-term investments	-1.g.-	2,499,838	2,139,278	360,560	16.85%
Cash for current bonds payable	-1.h.-	24,999,774	49,270,111	(24,270,337)	(49.26%)
Customer deposits		6,462,873	6,286,702	176,171	2.80%
Total restricted cash and cash equivalents and investments		**180,613,126**	**226,299,644**	**(45,686,518)**	(20.19%)
Total current assets		**371,069,075**	**416,180,158**	**(45,111,083)**	(10.84%)
Noncurrent Assets					
Restricted long-term investments	-1.i.-	177,982,601	175,141,780	2,840,821	1.62%
Lease Receivable, Net of Current		7,438,772	7,438,772	0	0.00%
Mortgage and construction loans receivable	-1.e.-	723,049,367	716,135,179	6,914,188	0.97%
Capital assets, Being Depreciated, Net	-1.j.-	502,718,435	508,014,018	(5,295,583)	(1.04%)
Capital assets, Not Being Depreciated, Net	-1.j.-	164,241,582	160,765,869	3,475,713	2.16%
Right-to-Use Asset		334,568	334,568	0	0.00%
Derivative Asset		6,600,897	4,322,996	2,277,901	52.69%
Investment in Component Units	-1.k.-	38,359,249	37,523,980	835,269	2.23%
Total noncurrent assets		**1,620,725,472**	**1,609,677,162**	**11,048,310**	0.69%
Total Assets		**1,991,794,547**	**2,025,857,320**	**(34,062,773)**	(1.68%)
Deferred Outflows of Resources					
Derivative Instrument	-1.l.-	20,005,625	20,637,912	(632,287)	(3.06%)
Fair value of hedging derivatives	-1.l.-	-	-	-	
Employer -Related Pension Activities	-1.l.-	6,707,859	6,707,859	(0)	(0.00%)
Employer -Related OPEB Activities	-1.l.-	4,331,747	4,331,747	(0)	(0.00%)
		31,045,231	**31,677,518**	**(632,287)**	(2.00%)
Total Assets and Deferred Outflows		**$ 2,022,839,778**	**$ 2,057,534,838**	**$ (34,695,060)**	(1.69%)
Liabilities and Net Position					
Current Liabilities					
Accounts payable and accrued liabilities	-1.m.-	$ 28,441,019	$ 28,474,734	$ (33,715)	(0.12%)
Undrawn Mortgage Proceeds Payable	-1.n.-	7,459,225	15,010,336	(7,551,111)	(50.31%)
Accrued interest payable		10,412,245	10,573,849	(161,604)	(1.53%)
Loans payable to Montgomery County - current	-1.o.-	75,503	247,073	(171,570)	(69.44%)
Lease Payable Current		126,470	126,470	(0)	(0.00%)
Mortgage notes and loans payable - current	-1.p.-	4,798,696	5,985,136	(1,186,440)	(19.82%)
Total current unrestricted liabilities		**51,313,158**	**60,417,598**	**(9,104,440)**	(15.07%)
Current Liabilities payable from restricted assets:					
Customer deposit payable		5,436,732	5,314,212	122,520	2.31%
Accrued interest payable	-1.q.-	5,697,302	9,615,948	(3,918,646)	(40.75%)
Bonds payable - current	-1.r.-	17,609,647	39,654,165	(22,044,519)	(55.59%)
Total current liabilities payable from restricted assets		**28,743,681**	**54,584,325**	**(25,840,644)**	(47.34%)
Total current liabilities		**80,056,838**	**115,001,923**	**(34,945,085)**	(30.39%)
Noncurrent Liabilities					
Bonds payable	-1.r.-	808,547,435	755,574,475	52,972,960	7.01%
Mortgage notes and loans payable	-1.p.-	623,681,722	669,817,703	(46,135,981)	(6.89%)
Loans payable to Montgomery County	-1.o.-	93,875,252	93,710,306	164,946	0.18%
Lease Payable Net of Current		209,081	209,081	(0)	(0.00%)
Unearned Revenue	-1.s.-	34,148,286	33,997,564	150,722	0.44%
Escrow and other deposits		20,893,930	20,561,989	331,941	1.61%
Net Pension liability		10,257,154	10,257,154	0	0.00%
Net OPEB liability		14,123,112	14,123,111	1	0.00%
Derivative investment - hedging		-	-	-	
Total noncurrent liabilities		**1,605,735,973**	**1,598,251,383**	**7,484,590**	0.47%
Total Liabilities		**1,685,792,811**	**1,713,253,306**	**(27,460,495)**	(1.60%)
Deferred Inflows of Resources					
Derivative Instrument	-1.l.-	6,600,897	4,322,996	2,277,901	52.69%
Unamortized Lease Receivable	-1.l.-	8,113,988	8,113,988	0	0.00%
Unamortized Pension Net Difference	-1.l.-	21,869,285	21,869,285	0	0.00%
Unamortized OPEB Net Difference	-1.l.-	13,181,184	13,181,185	(1)	(0.00%)
Total Deferred Inflows of Resources		49,765,355	47,487,454	2,277,901	4.80%
Net Position					
Net investment in capital assets		(145,080,278)	(139,672,412)	(5,407,866)	3.87%
Restricted		100,021,085	106,315,757	(6,294,672)	(5.92%)
Unrestricted		332,340,807	330,150,733	2,190,074	0.66%
Total Net Position		**287,281,613**	**296,794,078**	**(9,512,465)**	(3.21%)
Total Liabilities and Net Position		**$ 2,022,839,778**	**$ 2,057,534,838**	**$ (34,695,059)**	(1.69%)

Housing Opportunities Commission of Montgomery County, Maryland
Combined Statements of Revenues and Expenses
As of September 30, 2023 and September 30, 2022

	Note Num.	1st Qtr FY2024 9/30/2023	1st Qtr FY2023 9/30/2022	Dollar Variance	Percentage Variance
Operating Revenues					
Dwelling rental	**-1.aa.-**	24,595,335	24,861,622	$ (266,286)	(1.07%)
Investment income	**-1.bb.-**	4,014,105	2,700,486	1,313,620	48.64%
Unrealized gains (losses) on investment	**-1.cc.-**	(6,431,219)	(7,262,011)	830,791	(11.44%)
Interest on mortgage and construction loans receivable	**-1.dd.-**	2,248,292	1,935,846.46	312,445	16.14%
Management fees and other income	**-1.ee.-**	1,705,404	1,239,228	466,175	37.62%
U.S. Department of Housing and Urban Development grants:					
Housing Assistance Payments (HAP)	**-1.ff.-**	33,916,014	31,507,787	2,408,227	7.64%
HAP administrative fees	**-1.gg.-**	3,927,510	2,587,546	1,339,964	51.79%
Other grants		1,343,530	1,389,336	(45,806)	(3.30%)
State and County grants	**-1.hh.-**	4,180,444	2,443,972	1,736,472	71.05%
Total operating revenues		**69,499,415**	**61,403,812**	**8,095,602**	13.18%
Operating Expenses					
Housing Assistance Payments (HAP)	**-1.ff.-**	35,362,193	32,529,182	(2,833,011)	(8.71%)
Administration	**-1.ii.-**	14,876,132	11,456,617	(3,419,515)	(29.85%)
Maintenance	**-1.jj.-**	8,432,098	8,166,739	(265,359)	(3.25%)
Depreciation and amortization		5,235,508	5,285,717.15	50,209	0.95%
Utilities	**-1.kk.-**	2,088,960	1,899,977	(188,983)	(9.95%)
Fringe benefits	**-1.ll.-**	1,630,213	3,441,419	1,811,206	52.63%
Interest expense	**-1.mm.-**	10,850,017	10,445,410	(404,607)	(3.87%)
Other expense	**-1.nn.-**	1,572,178	1,567,369	(4,808)	(0.31%)
Total operating expenses		**80,047,298**	**74,792,430**	**(5,254,868)**	(7.03%)
Operating income (loss)		**(10,547,883)**	**(13,388,618)**	**2,840,735**	(21.22%)
Nonoperating Revenues (Expenses)					
Investment Income		1,456,615	862,964	593,651	68.79%
Interest on mortgage and construction loans receivable		1,381,492	984,718	396,773	40.29%
Interest expense	**-1.mm.-**	(1,871,670)	(1,354,470)	(517,201)	38.18%
Other grants		68,982	28,010	40,973	146.28%
Total nonoperating revenues (expense)		**1,035,418**	**521,223**	**514,196**	98.65%
Income (loss) before capital contributions		**(9,512,465)**	**(12,867,396)**	3,354,931	(26.07%)
Income (Loss) before contributions and transfers		**(9,512,465)**	**(12,867,396)**	3,354,931	(26.07%)
Transfer from Discrete Component Units		-	-	-	
Capital contributions/(distributions)		-	-	-	
Net income (loss)		**(9,512,465)**	**(12,867,396)**	**3,354,931**	**(26.07%)**

Housing Opportunities Commission of Montgomery County

Combined Statement of Net Position
As of September 30, 2023

Assets	General Fund	Opportunity Housing Fund	Public Fund	Single Family Fund	Multi Family Fund	Elimination	9/30/2023 Total Funds with Elimination	6/30/2023 Total Funds with Elimination
Current Assets								
Unrestricted:								
Cash and Cash Equivalents	$ 34,716,518	$ 67,812,616	$ 8,071,744	$ 844,894	$ 2,568,761	$ -	$ 114,014,533	$ 122,787,629
Interfund Receivable	-	4,186,449	-	205,902	742,848	(5,135,199)	-	-
Advances to Component Units	10,942,433	504,450	-	-	-	-	11,446,883	7,487,772
Accounts Receivable and Other Assets,Net	8,933,502	17,712,930	10,041,624	657,824	3,833	(3,459,392)	33,890,321	29,023,057
Accrued Interest Receivable	8,399,626	8,926,317	-	577,626	1,794,253	(1,114,190)	18,583,632	17,633,698
Lease Receivable - Current	-	1,106,005					1,106,005	1,106,005
Mortgage & Construction Loans Receivable, Current	5,601,428	1,437,630	-	4,572,501	12,460,503	(12,657,487)	11,414,576	11,842,353
Total Unrestricted Current Assets	**68,593,507**	**101,686,398**	**18,113,368**	**6,858,747**	**17,570,198**	**(22,366,269)**	**190,455,949**	**189,880,514**
Restricted Cash and Cash Equivalents nd Investments:								
Restricted Cash and Cash Equivalents	9,386,943	42,809,681	34,576	37,956,594	56,462,846	-	146,650,641	168,603,553
Restricted Short-Term Investments	-	-	-	2,499,838	-	-	2,499,838	2,139,278
Restricted for Current Bonds Payable	-	-	-	7,470,672	17,529,102	-	24,999,774	49,270,111
Restricted for Customer Deposits	-	3,395,619	3,067,254	-	-	-	6,462,873	6,286,702
Total Restricted Cash and Cash Equivalents for Investments	**9,386,943**	**46,205,300**	**3,101,831**	**47,927,104**	**73,991,948**	**-**	**180,613,126**	**226,299,644**
Total Current Assets	**77,980,450**	**147,891,698**	**21,215,198**	**54,785,851**	**91,562,147**	**(22,366,269)**	**371,069,075**	**416,180,158**
Noncurrent assets:								
Restricted Long - Term Investments	-	-	-	111,479,835	66,502,766	-	177,982,601	175,141,780
Lease Receivable - Net of Current	-	7,438,772	-				7,438,772	7,438,772
Mortgage & Construction Loans Receivable, Net of Current	513,352,448	192,645,609	2,005,615	29,828,806	542,099,289	(556,882,399)	723,049,367	716,135,179
Capital Assets, Being Depreciated, Net	3,219,037	495,798,545	3,700,853	-	-	-	502,718,435	508,014,018
Capital Assets, Not Being Depreciated	8,812,637	151,706,143	3,722,802				164,241,582	160,765,869
Right-to-Use Asset	334,568	-	-				334,568	334,568
Derivative Asset	-	1,691,728	-	2,304,459	2,604,710		6,600,897	4,322,996
Investment in Component Units	2,073,221	36,286,028	-	-	-	-	38,359,249	37,523,980
Total Noncurrent Assets	**527,791,911**	**885,566,825**	**9,429,269**	**143,613,100**	**611,206,766**	**(556,882,399)**	**1,620,725,472**	**1,609,677,162**
Deferred Outflows of Resources								
Derivative Instrument	-	20,005,625	-	-	-	-	20,005,625	20,637,912
Fair Value of Hedging Derivatives	-	-	-	-	-	-	-	-
Employer -Related Pension Activities	2,578,239	1,570,850	2,558,770	-	-	-	6,707,859	6,707,859
Employer -Related OPEB Activities	3,399,093	169,075	763,579	-	-	-	4,331,747	4,331,747
	5,977,331	**21,745,550**	**3,322,349**	**-**	**-**	**-**	**31,045,231**	**31,677,518**
Total Assets and Deferred Outflows	**611,749,693**	**1,055,204,074**	**33,966,817**	**198,398,951**	**702,768,912**	**(579,248,668)**	**2,022,839,778**	**2,057,534,838**

Housing Opportunities Commission of Montgomery County

Combined Statement of Net Position

As of September 30, 2023

Liabilities and Net Position	General Fund	Opportunity Housing Fund	Public Fund	Single Family Fund	Multi Family Fund	Elimination	9/30/2023 Total Funds with Elimination	6/30/2023 Total Funds with Elimination
Liabilities								
Current Liabilities								
Accounts Payable and Accrued Liabilities	13,318,034	16,106,268	1,622,500	701,943	151,664	(3,459,392)	28,441,018	28,474,734
Undrawn Mortgage Proceeds Payable	-	-	-	-	7,459,225		7,459,225	15,010,336
Interfund Payable	3,674,528	-	1,460,671	0	-	(5,135,199)	-	-
Accrued Interest Payable	-	11,526,435	-	-	-	(1,114,190)	10,412,245	10,573,849
Loans Payable to Montgomery County - Current	-	75,503	-	-	-		75,503	247,073
Lease Payable - Current	126,470						126,470	126,470
Mortgage Notes and Loans Payable-Current	4,402,617	13,053,567	-	-	-	(12,657,487)	4,798,696	5,985,136
Total Current Unrestricted Liabilities	**21,521,649**	**40,761,773**	**3,083,171**	**701,943**	**7,610,889**	**(22,366,269)**	**51,313,157**	**60,417,598**
Current Liabilities Payable from Restricted Assets:								
Customer Deposits Payable	-	2,892,683	2,544,049	-	-	-	5,436,732	5,314,212
.Accrued Interest Payable	-	-	-	1,692,846	4,004,456	-	5,697,302	9,615,948
Bonds Payable-Current	-	-	-	4,085,000	13,524,647	-	17,609,647	39,654,165
Total Current Liabilities Payable from Restricted Assets	**-**	**2,892,683**	**2,544,049**	**5,777,846**	**17,529,102**	**-**	**28,743,681**	**54,584,325**
Total Current Liabilities	**21,521,649**	**43,654,456**	**5,627,220**	**6,479,790**	**25,139,991**	**(22,366,269)**	**80,056,837**	**115,001,923**
Non-Current Liabilities								
Bonds Payable	-	-	-	176,865,063	631,682,372	-	808,547,435	755,574,475
Mortgage Notes and Loans payable	446,205,919	734,118,202	-	240,000	-	(556,882,399)	623,681,722	669,817,703
Loans payable to Montgomery County	31,979,224	61,896,028	-	-	-	-	93,875,252	93,710,306
Lease Payable Net of Current	209,081						209,081	209,081
Unearned Revenue	21,832,481	11,941,504	374,302	-	-	-	34,148,286	33,997,564
Escrow and Other Deposits	18,005,002	-	-	-	2,888,928	-	20,893,930	20,561,989
Net Pension liability	6,188,525	1,245,549	2,823,080	-	-	-	10,257,154	10,257,154
Net OPEB liability	5,808,221	748,231	7,566,659	-	-	-	14,123,112	14,123,111
Derivative Investment - Hedging	-	-	-	-	-	-	-	-
Total Noncurrent Liabilities	**530,228,452**	**809,949,514**	**10,764,041**	**177,105,063**	**634,571,300**	**(556,882,399)**	**1,605,735,973**	**1,598,251,383**
Total Liabilities	**551,750,102**	**853,603,971**	**16,391,261**	**183,584,853**	**659,711,291**	**(579,248,668)**	**1,685,792,810**	**1,713,253,306**
Deferred Inflows of Resources								
Derivative Instrument	-	1,691,728		2,304,459	2,604,710		6,600,897	4,322,996
Unamortized Lease Receivable	-	8,113,988					8,113,988	8,113,988
Unamortized Pension Net Difference	14,635,673	1,835,246	5,398,366	-	-	-	21,869,285	21,869,285
Unamortized OPEB Net Difference	7,473,513	1,008,851	4,698,821	-	-	-	13,181,184	13,181,185
Total Deferred Inflows of Resources	22,109,186	12,649,813	10,097,187	2,304,459	2,604,710	-	49,765,355	47,487,454
Net Position								
Net investment in Capital assets	9,134,679	(161,638,613)	7,423,655	-	-	-	(145,080,278)	(139,672,412)
Amounts Restricted for:								
Debt Service	-	42,809,681	-	11,664,745	37,884,149	-	92,358,575	96,751,533
Customer deposits and other	-	502,936	557,782	-	-	-	1,060,718	2,193,900
Closing cost assistance program and other	6,601,792	-	-	-	-	-	6,601,792	7,370,324
Unrestricted (deficit)	22,153,934	307,276,285	(503,068)	844,894	2,568,761	-	332,340,807	330,150,733
Total net position	**37,890,406**	**188,950,290**	**7,478,369**	**12,509,639**	**40,452,910**	**-**	**287,281,613**	**296,794,078**
Total Liabilities, Deferred Inflows and Net Position	**611,749,693**	**1,055,204,074**	**33,966,817**	**198,398,951**	**702,768,912**	**(579,248,668)**	**2,022,839,778**	**2,057,534,838**

Housing Opportunities Commission of Montgomery County, Maryland

Combining Statement of Revenue and Expenses

For the Quarter Ended September 30, 2023 (with comparative totals for the Quarter Ended September 30, 2022)

	General Fund	Opportunity Housing Fund	Public Fund	Single Family Fund	Multi Family Fund	Elimination	9/30/2023 Total Funds with Elimination	9/30/2022 Total Funds with Elimination
Operating Revenues								
Dwelling Rental	$ -	$ 24,420,076	$ 175,259	$ -	$ -	$ -	$ 24,595,335	$ 24,861,622
Investment Income	-	-	-	1,676,021	2,338,084	-	4,014,105	2,700,486
Unrealized Gains (Losses) on Investments	-	-	-	(5,727,907)	(703,312)	-	(6,431,219)	(7,262,011)
Interest on Mortgage & Construction Loans Receivable	-	-	-	364,228	3,860,832	(1,976,768)	2,248,292	1,935,847
Management Fees and Other Income	3,810,732	953,659	10,797	-	-	(3,069,784)	1,705,404	1,239,228
U.S. Department of Housing and Urban								
Developement Grants:								
Housing Assistance Payments (HAP)	-	-	33,916,014	-	-	-	33,916,014	31,507,787
HAP Administrative Fees	-	-	3,927,510	-	-	-	3,927,510	2,587,546
Other Grants	-	-	1,343,530	-	-	-	1,343,530	1,389,336
State and County Grants	-	-	4,180,444	-	-	-	4,180,444	2,443,972
Total Operating Revenues	**3,810,732**	**25,373,734**	**43,553,555**	**(3,687,658)**	**5,495,604**	**(5,046,552)**	**69,499,415**	**61,403,813**
Operating Expenses								
Housing Assistance Payments	-	-	35,362,193	-	-	-	35,362,193	32,529,182
Administration	4,753,652	6,495,003	5,030,489	378,450	733,521	(2,514,983)	14,876,132	11,456,617
Maintenance	733,157	7,697,725	1,215	-	-	-	8,432,098	8,166,739
Depreciation and amortization	85,384	5,150,124	-	-	-	-	5,235,508	5,285,716
Utilities	57,143	1,944,760	87,057	-	-	-	2,088,960	1,899,977
Fringe Benefits	183,447	680,375	644,231	45,443	76,717	-	1,630,213	3,441,419
Interest expense	-	6,909,475	-	1,446,150	4,471,160	(1,976,768)	10,850,017	10,445,410
Other Expense	274,667	1,294,471	557,841	-	-	(554,801)	1,572,178	1,567,369
Total operating expenses	**6,087,450**	**30,171,932**	**41,683,027**	**1,870,043**	**5,281,397**	**(5,046,552)**	**80,047,298**	**74,792,430**
Operating Income (loss)	**(2,276,719)**	**(4,798,198)**	**1,870,528**	**(5,557,701)**	**214,206**	**-**	**(10,547,883)**	**(13,388,616)**
Nonoperating Revenues (Expenses)								
.Investment Income	628,719	801,429	26,467	-	-	-	1,456,615	862,963
.Interest on Mortgage and Construction Loans Receivable	3,976,092	209,914	-	-	-	(2,804,515)	1,381,492	984,718
.Interest Expense	(4,043,898)	(632,287)	-	-	-	2,804,515	(1,871,670)	(1,354,470)
Other Grants	-	68,982	-	-	-	-	68,982	28,010
Gain/(Loss) on Sale of Assets	-	-	-	-	-	-	-	-
Total nonoperating revenues (expenses)	**560,913**	**448,038**	**26,467**	**-**	**-**	**-**	**1,035,418**	**521,222**
Income (loss) before capital contributions and transfers	**(1,715,805)**	**(4,350,159)**	**1,896,995**	**(5,557,701)**	**214,206**	**-**	**(9,512,465)**	**(12,867,395)**
Operating transfers in (out)	(43,209)	43,209	-	-		-	-	-
Change in Net Position	**$ (1,759,014)**	**(4,306,950)**	**$ 1,896,995**	**$ (5,557,701)**	**$ 214,206**	**$ -**	**$ (9,512,465)**	**$ (12,867,395)**

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

		FY'24	FY'23	Dollar Variance	Percentage Variance
1.a	Cash and Cash Equivalents	114,014,533	122,787,629	(8,773,096)	(7.14%)

The decrease in cash and cash equivalents is driven by a decrease in the General Fund due to the payment of FY2024 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 (See 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, funding of HOC at CCL Multifamily-Member equity contribution and final payment of Hooten contract for Bauer Park renovation. The delayed remittance from the County for the County Main Grant and reimbursements from HUD for the McKinney program also contributed to the decrease in unrestricted operating cash.

		FY'24	FY'23	Dollar Variance	Percentage Variance
1.b	Advances to Component Units	11,446,883	7,487,772	3,959,111	52.87%

The increase in the advances to component units is mainly due 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 Elizabeth House III LP ("EH III/The Leggett"), South County Regional Recreation and Aquatic Center ("SCRRAC"), Arcola Towers RAD LP ("Arcola"), Waverly House RAD LP ("Waverly"), HOC at Stewartown Homes LLC, Hillandale Gateway LLC, CCL Multifamily LLC ("The Lindley"), Town Center Apartments, HOC at Willow Manor LLC and Forest Oak Towers LP. This increase is partially offset by a decrease at HOC at Westside Shady Grove LLC ("The Laureate").

		FY'24	FY'23	Dollar Variance	Percentage Variance
1.c	Accounts Receivable and Other Assets	33,890,321	29,023,057	4,867,264	16.77%

The increase is driven by the FY2024 prepaid insurance, Yardi license and maintenance fees under the General Fund, an increase in the Public Fund receivables from the County Main Grant as well as the resident rent receivables, net of the allowance for doubtful accounts and insurance claims receivable under the Opportunity Housing Fund.

		FY'24	FY'23	Dollar Variance	Percentage Variance
1.d	Accrued Interest Receivable	18,583,632	17,633,698	949,934	5.39%

The increase in the accrued interest receivable is primarily due to 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, Waverly and Arcola. The increase in the Multifamily Bond partially offset by a decrease in the Single Family Bond also accounted for the overall increase in interest receivable.

		FY'24	FY'23	Dollar Variance	Percentage Variance
1.e	Mort. & Const. Loans Receivable-Current	11,414,576	11,842,353	(427,777)	(3.61%)
1.e	Mort. & Const. Loans Receivable-Non-Current	723,049,367	716,135,179	6,914,188	0.97%
	Total	734,463,944	727,977,532	6,486,412	0.89%

The increase in total mortgage and construction loans receivable is primarily driven by PNC Real Estate Line of Credit ("RELOC") advances for EH III/The Leggett, HOC at Willow Manor LLC and HOC at Upton II ("Upton/The Residence Lane") along with additional draws from the OHRF for HOC at Shady Grove LLC, Hillandale Gateway LLC, HOC at CCL Multifamily-Member and Bauer Park LP.

1.f	**Restricted Cash & Cash Equivalents**	**146,650,641**	**168,603,553**	**(21,952,912)**	**(13.02%)**

The decrease in the restricted cash and cash equivalents is mainly due to a decrease in undrawn bond proceedsfor HOC at West Side Shady Grove LLC and HOC at Shady Grove LLC within the Multifamily Bond as well as a decrease in the Single Family Bond.

1.g	**Restricted Short-term Investments**	**2,499,838**	**2,139,278**	**360,560**	**16.85%**

The decrease in restricted short-term investments is mainly driven by the Single Family Bond Funds mortgage-backed securities transactions.

1.h	**Cash for Current Bonds Payable**	**24,999,774**	**49,270,111**	**(24,270,337)**	**(49.26%)**

The decrease in the cash for current bonds payable is due to a decrease in current maturing bonds within the Single Family Bond and Multifamily Bond Funds.

1.i	**Restricted Long-term Investments**	**177,982,601**	**175,141,780**	**2,840,821**	**1.62%**

The increase in restricted long-term investment is attributed primarily to mortgage-backed securities purchases under the Single Family Mortgage Revenue Bonds.

1.j	**Capital Assets, Being Depreciated, Net**	**502,718,435**	**508,014,018**	**(5,295,583)**	**(1.04%)**
1.j	**Capital Assets, Not Being Depreciated, Net**	**164,241,582**	**160,765,869**	**3,475,713**	**2.16%**
	Total	**666,960,017**	**668,779,887**	**(1,819,870)**	**(0.27%)**

The decrease in the net capital assets is mainly due to the normal depreciation of assets partly offset by The Metropolitan waterproofing and plaza repair contract as well as the predevelopment costs at Sandy Spring Missing Middle and the HOC Headquarters.

1.k	**Investment in Component Units**	**38,359,249**	**37,523,980**	**835,269**	**2.23%**

The increase in the investment in component units is primarily due to additional HOC equity contributions as General Partner in the CCL Multifamily LLC ("The Lindley") and Bauer Park Apartments LP.

1.l	**Deferred Outflows-Derivative Instrument**	**20,005,625**	**20,637,912**	**(632,287)**	**(3.06%)**
1.l	**Deferred Outflows-Pension Activities**	**6,707,860**	**6,707,860**	**(0)**	**(0.00%)**
1.l	**Deferred Outflows-OPEB Activities**	**4,331,747**	**4,331,747**	**(0)**	**(0.00%)**
	Total	**31,045,232**	**31,677,519**	**(632,287)**	**(2.00%)**

As of September 30, 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 ($2,304,459) in the Single Family Bond Fund, ($2,604,710) in the Multifamily Bond Fund and ($1,691,728) in the Opportunity Housing Fund which is made up of ($1,060,512) Upton II construction loan and ($631,216) 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 $20,005,625 reported as deferred outflows of resources as of September 30, 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.n	**Undrawn Mortgage Proceeds payable**	**7,459,225**	**15,010,336**	**(7,551,111)**	**(50.31%)**

The decrease in undrawn mortgage proceeds payable is driven by bond draws from HOC at Westside Shady Grove LLC ("WSSG") and HOC at Shady Grove LLC.

1.o	**Loans Payable to Montgomery Co-Current**	**75,503**	**247,073**	**(171,570)**	**(69.44%)**
1.o	**Loans Payable to Montgomery Co-Non-Current**	**93,875,252**	**93,710,306**	**164,946**	**0.18%**
	Total	**93,950,755**	**93,957,379**	**(6,624)**	**(0.01%)**

The loans payable to Montgomery County did not change materially since last fiscal year. The increase in the General Fund due to additional funding for the Montgomery County Homeownership Fund ("McHAF") program is almost fully offset by the payoff of the Scattered Site Two Development Corporation ("Scattered Site2"), Montgomery Homes LP X ("MHLP X") and Holiday Park.

1.p	**Mortgage Notes & Loans Payable-Current**	**4,798,696**	**5,985,136**	**(1,186,440)**	**(19.82%)**
1.p	**Mortgage Notes & Loans Payable-Non-Current**	**623,681,722**	**669,817,703**	**(46,135,981)**	**(6.89%)**
	Total	**628,480,418**	**675,802,839**	**(47,322,421)**	**(7.00%)**

The decrease in total mortgage notes and loans payable is attributed primarily to the refinancing of the existing mortgage loans of VPC One Corporation ("VPC1"), VPC Two Corporation ("VPC2"), Scattered Site2 and MHLP X with the issuance of Multiple Purpose Bonds 2023 Series A&B. This decrease is partially offset by additional RELOC draws for, HOC at Willow Manor LLC, EH III/The Leggett, HOC at Upton II ("Upton/The Residence Lane") and HOC Fenwick & Second Headquarters.

1.q	**Accrued Interest Payable - Restricted**	**5,697,302**	**9,615,948**	**(3,918,646)**	**(40.75%)**

The decrease in restricted accrued interest payable is largely due to the semi-annual payment to the bond holders of the accrued interest under the Multifamily Bond and the Single Family Bond Funds.

1.r	**Bonds Payable - Current**	**17,609,647**	**39,654,165**	**(22,044,519)**	**(55.59%)**
1.r	**Bonds Payable - Non-Current**	**808,547,435**	**755,574,475**	**52,972,960**	**7.01%**
	Total	**826,157,082**	**795,228,640**	**30,928,442**	**3.89%**

The increase in the total outstanding bonds payable is mainly attributed due to $61 million new bond issued under the Multiple Purpose 2023 Series A&B Bonds for the scattered site properties, partially offset by the scheduled bond redemptions within both bond funds. The Multifamily Bond Fund redeemed and retired bonds for $6.6 million under the Multifamily Housing Development Bonds (1996 Indenture) and $0.6 million under the Stand Alone 1998 Issue. The Single Family Bond Fund redeemed and retired bonds under the 1979 Indenture for $21 million, the 2019 Indenture for $1.4 million and the 2009 Indenture for $0.4 million.

1.aa	**Dwelling Rental**	**24,595,335**	**24,861,622**	**(266,286)**	**(1.07%)**

The decrease in the dwelling rental income is largely due to Elizabeth House RAD Interim Property, Cider Mill Apartments, VPC One Corp, Magruders Discovery Development Corp. and HOC at Battery Lane, LLC ("Battery Lane"), partially offset by an increase in tenant income from Alexander House Dev Corp., Paint Branch, Strathmore Court LP and Westwood Towers Apartments. Bad debt expense for the fiscal period July 2023 to September 2023 amounted to about $2.5 million. As of September 30, 2023, the tenant receivable balance has increased by $1,290,439 from June 30, 2023, totaling $10,832,161. 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 lingering from the COVID-19 pandemic.

1.bb	**Investment Income**	**4,014,105**	**2,700,486**	**1,313,620**	**48.64%**

The increase in investment income is primarily driven by the Housing Production Fund ("HPF") Series 2021 Limited Obligation Bonds, Multiple Purpose ("MP") Bonds 2023 Series AB for Scattered Sites, Multifamily Housing Development Bonds ("MHDB") 2023 Series A for Upton II, the Single Family Mortgage Revenue Bonds ("MRB') 2022 Series ABCD and

2023 Series AB. Interest rates remained high throughout the year and contributed to the increase in investment income as well.

1.cc	**Unrealized Gains (Losses) on Investments**	**(6,431,219)**	**(7,262,011)**	**830,791**	**(11.44%)**

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 Receivabl**	**2,248,292**	**1,935,846**	**312,445**	**16.14%**

The increase is mainly due to the Multifamily Bond Fund mortgage receivables related to MP 2023 Series AB bonds for Scattered Sites, MHDB 2023 Series A for Upton II and MHDB 2021 Series BCD for Willow Manor, Shady Grove, Georgian Court and Stewartown, partially offset by a decrease in MHDB 2021 Series A for West Side Shady Grove.

1.ee	**Management Fees & Other Income**	**1,705,404**	**1,239,228**	**466,175**	**37.62%**

The increase in management fees and other income is due to an increase in development and property management fee income.

1.ff	**Housing Assistance Payments-Revenue**	**33,916,014**	**31,507,787**	**2,408,227**	**7.64%**
1.ff	**Housing Assistance Payments-Expense**	**35,362,193**	**32,529,182**	**2,833,011**	**8.71%**

The Housing Assistance Payments (HAP) – revenue increased within the HCV Main Program, Emergency Housing Vouchers, HCV Incoming Portables, and Stability Voucher Program, partly offset by a decrease in earned HAP revenue under the 2017 Mainstream Program. The increase in HAP expense is driven by an increase in leasing and leasing costs within the HCV Main Program, HCV Outgoing and Incoming Portables, HCV Project Based Vouchers, Non-Elderly Persons with disabilities and Emergency Housing Vouchers, partly offset by a decrease in HCV VPC One Dev. Corp., HCV VPC Two Dev. Corp., and Designated Plan Vouchers.

1.gg	**HAP Administrative Fees-Income**	**3,927,510**	**2,587,546**	**1,339,964**	**51.79%**

The increase in HAP administrative fees-income is driven by an increase in leasing and proration factor.

1.hh	**State and County Grants**	**4,180,444**	**2,443,972**	**1,736,472**	**71.05%**

The increase in state and county grants is attributed to an increase in the County Grant WSSC Sewer and Storm Line Improvement at Elizabeth Square, County Main Rental license fee, County Main Public Housing, and County Main Rental Assistance.

1.ii	**Administration**	**14,876,132**	**11,456,617**	**3,419,515**	**29.85%**

The increase in administrative expense is mainly due to the Opportunity Housing Fund, General Fund, and Public Fund expenses. The increase in the Opportunity Housing Fund is largely due to the cost of issuance related to the permanent financing of VPC1, VPC2, Scattered Sites2 and MHLP X. The increase in the General Fund is due to administrative salaries, online information services, and other operating professional services related to consulting and recruiting services. The Public Fund expenses increased primarily due to the disbursement of the rental assistance funding for the CDBG, and County Main partly offset by a decrease in other operating services contracts related to HCVP – client services admin inspection services.

1.jj	**Maintenance**	**8,432,098**	**8,166,739**	**265,359**	**3.25%**

The increase in maintenance expense is mainly due to General Fund computer equipment and computer software expenses related to application development and technical services. The properties' overall maintenance costs showed insignificant change compared to the same period last fiscal year.

1.kk	**Utilities**	**2,088,960**	**1,899,977**	**188,983**	**9.95%**

The increase in utilities is mainly due to an increase in trash, natural gas, and electricity at Glenmont Westerly Dev. Corp, VPC Two Corp, Strathmore Court LP, The Metropolitan Dev Corp, RAD 6 Seneca Ridge, and Cider Mill Apartments, partially offset by a decrease at Diamond Square LP, and Montgomery Arms Dev Corp.

1.ll	**Fringe Benefits**	**1,630,205**	**3,441,419**	**(1,811,213)**	**(52.63%)**

The decrease in fringe benefits is largely due to a decrease in pension expense and accrued leave within the General Fund. The amortization payment to the Employees' Retirement System's Unfunded Actuarial liability for FY'23 was made in September 2023. The amount due for FY'24 is scheduled to be paid after the reporting period.

1.mm	**Interest Expense - Operating**	**10,850,018**	**10,445,410**	**404,609**	**3.87%**
1.mm	**Interest Expense - Non-Operating**	**1,871,670**	**1,354,470**	**517,201**	**38.18%**
	Total	**12,721,690**	**11,799,879**	**921,810**	**7.81%**

The increase in total interest expense is primarily driven by the Multifamily Fund MP 2023 Series AB for Scattered Sites and MHDB 2023 Series A for Upton II bonds, the Single Family Fund MRB 2023 Series AB, 2022 Series ABCD and 2008 Series ABCD bonds.

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 President/Executive Director

FROM: Staff: Timothy Goetzinger, Senior Vice President, Finance/CFO
Eugenia Pascual, Controller
Nilou Razeghi, Accounting Manager
Ali Ozair, Vice President, Property Management

RE: **Uncollectible Tenant Accounts Receivable**: Presentation of Request to Write-off Uncollectible Tenant Accounts Receivable (July 1, 2023 – September 30, 2023)

DATE: December 20, 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 was on September 20, 2023, totaled $73,335, which covered the three-month period from April 1, 2023 through June, 30, 2023 (the fourth quarter of fiscal year 2023).

The proposed write-off of former tenant accounts receivable balances for the first quarter of fiscal year 2024, covering July 1, 2023 through September 30, 2023 is $132,684.

The $132,684 first quarter write-off is attributable to former tenants within HOC's Opportunity Housing properties, Supportive Housing properties and LIHTC/RAD properties. The primary reasons for the write-offs across the properties include tenants who passed away ($14,655), left due to a job transfer ($382), needed more space ($5,880), no longer in the program ($4,856), no longer qualify ($6,305), moved to a nursing home ($518), obtained a HCV voucher ($331), purchased a home ($7,927), skipped ($25,897), voluntarily vacated their units ($61,768), transferred for medical reason ($3,562), and could not afford rent amount ($603).

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

Property Type	Current Write-offs 07/01/23 - 09/30/23	Prior Write-offs 04/01/23 - 06/30/23	$ Change 07/01/23 - 09/30/23	% Change 07/01/23 - 09/30/23	Fiscal Year 2024 Year-to-Date 07/01/23 - 09/30/23	Fiscal Year 2023 Year-to-Date 07/01/22 - 09/30/22
Opportunity Housing	73,570	66,636	6,934	10.41%	73,570	12,654
Supportive Housing	19,711	4,055	15,656	386.09%	19,711	-
LIHTC/RAD Properties	39,403	2,644	36,759	1390.28%	39,403	-
236 Properties	-	-	-	0.00%	-	-
	$ 132,684	$ 73,335	$ 59,349	80.93%	$ 132,684	$ 12,654

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

Opportunity Housing Fund

	Current Write-offs 07/01/23 - 09/30/23	Prior Write-offs 04/01/23 - 06/30/23	$ Change 07/01/23 - 09/30/23	% Change 07/01/23 - 09/30/23	Fiscal Year 2024 Year-to-Date 07/01/23 - 09/30/23	Fiscal Year 2023 Year-to-Date 07/01/22 - 09/30/22
Opportunity Housing (OH) Fund						
Avondale	$ -	$ 1,400	$ (1,400)	-100.00%	$ -	$ -
HOC at Avondale	-	4,195	(4,195)	-100.00%	-	-
Chelsea Towers	331	-	331	0.00%	331	-
Jubilee - Hermitage	6,232	-	6,232	0.00%	6,232	-
Magruders Discovery	-	21	(21)	-100.00%	-	-
McKendree	25	-	25	0.00%	25	-
MHLP VII	2,191	21,827	(19,636)	-89.96%	2,191	-
MHLP X	1,136	-	1,136	0.00%	1,136	-
MPDU I/64	-	-	-	0.00%	-	800
NCI-1 - 60 Catoctin Court	-	1,162	(1,162)	-100.00%	-	-
NSP-1 - 18884 McFarlin Dr	603	-	603	0.00%	603	-
Paintbranch	-	-	-	0.00%	-	153
Scattered Site One Dev Corp	-	-	-	0.00%	-	10,840
Scattered Site Two Dev Corp	4,511	-	4,511	0.00%	4,511	-
State Rental Partnership	2,051	-	2,051	0.00%	2,051	634
VPC One Corp	26,787	36,848	(10,061)	-27.30%	26,787	-
VPC Two Corp	29,703	1,183	28,520	2410.82%	29,703	227
Total OH Fund	**$ 73,570**	**$ 66,636**	**$ 6,934**	**10.41%**	**$ 73,570**	**$ 12,654**

Within the Opportunity Housing portfolio, the $73,570 write-off amount was attributable to Chelsea Towers, Jubille – Hermitage, McKendree, MHLP VII and X NSP-1-18884 McFarlin Dr, Scattered Site Two Dev Corporation, State Rental Partnership, VPC One Corporation, and VPC Two Corporation. The write-offs were due to three tenants who passed away ($13,363), two tenants who needed more space ($5,880), two tenants who no longer qualified ($6,305), one tenant who obtained a HCV voucher ($331), four tenants who purchased homes ($1,866), one tenant who could not afford the rent ($603), and seven tenants who voluntarily vacated their units ($45,222).

Supportive Housing

	Current Write-offs 07/01/23 - 09/30/23	Prior Write-offs 04/01/23 - 06/30/23	$ Change 07/01/23 - 09/30/23	% Change 07/01/23 - 09/30/23	Fiscal Year 2024 Year-to-Date 07/01/23 - 09/30/23	Fiscal Year 2023 Year-to-Date 07/01/22 - 09/30/22
Supportive Housing						
McKinney X - HUD	$ 19,711	$ 4,000	$ 15,711	392.78%	$ 19,711	$ -
McKinney XIV - HUD	-	55	(55)	-100.00%	-	-
Total Supportive Housing	**$ 19,711**	**$ 4,055**	**$ 15,656**	**386.09%**	**$ 19,711**	**$ -**

Within the Supportive Housing program, there was one tenant who passed away ($20), one tenant who is no longer in the program ($4,856), and one tenant who voluntarily vacated their unit ($14,835).

LIHTC/RAD Properties

	Current Write-offs 07/01/23 - 09/30/23	Prior Write-offs 04/01/23 - 06/30/23	$ Change 07/01/23 - 09/30/23	% Change 07/01/23 - 09/30/23	Fiscal Year 2024 Year-to-Date 07/01/23 - 09/30/23	Fiscal Year 2023 Year-to-Date 07/01/22 - 09/30/22
LIHTC/RAD Properties						
Arcola Towers LP	$ 3,562	$ -	$ 3,562	0.00%	$ 3,562	$ -
RAD 6 - Sandy Spring	25,897	-	25,897	0.00%	25,897	-
RAD 6 - Washington Square	6,061	-	6,061	0.00%	6,061	-
Waverly House LP	3,883	2,644	1,239	46.86%	3,883	-
Total RAD Properties	**$ 39,403**	**$ 2,644**	**$ 36,759**	**1390.28%**	**$ 39,403**	**$ -**

Within the LIHTC/RAD properties, there were four tenants who passed away ($1,272), one tenant who left due to job transfer ($382), two tenants who moved to a nursing home ($518), one tenant who purchased a home ($6,061), two tenants who skipped ($25,897), three tenants who voluntarily left their units ($1,711), and one tenant who transferred for medical reasons ($3,562).

HUD Section 236 Properties

	Current Write-offs 07/01/23 - 09/30/23	Prior Write-offs 04/01/23 - 06/30/23	$ Change 07/01/23 - 09/30/23	% Change 07/01/23 - 09/30/23	Fiscal Year 2024 Year-to-Date 07/01/23 - 09/30/23	Fiscal Year 2023 Year-to-Date 07/01/22 - 09/30/22
236 Properties						
Bauer Park	$ -	$ -	$ -	0.00%	$ -	$ -
Town Center Apts	$ -	$ -	$ -	0.00%	$ -	$ -
Total 236 Properties	**$ -**	**$ -**	**$ -**	**0.00%**	**$ -**	**$ -**

Within the 236 properties, there were no write-offs to report in the first quarter of FY ’24.

These write-offs will be reported for pursuit of collections in accordance with the procedures outlined 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 second quarter of FY’24 covering October 1, 2023 through December 31, 2023. Upon approval, the write-offs will be processed through Yardi’s write-off function with the tenant detail placed into the uncollectible accounts receivable database.

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 first quarter of fiscal year 2024, totaling $132,684?

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 December 20, 2023 Budget, Finance and Audit Committee meeting. For formal Commission action at the January 10, 2024 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 $132,684.

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, President / Executive Director

FROM: Staff: Timothy Goetzinger, Senior Vice President, Finance / CFO
Eugenia Pascual, Controller

RE: **Renewal of Primary Auditor Contract:** Approval to Renew the Primary Audit Contract with CliftonLarsonAllen LLP for One Year

DATE: December 20, 2023

OVERALL GOAL & OBJECTIVE:
To renew the primary audit contract with CliftonLarsonAllen LLP for an additional year.

BACKGROUND:
On December 8, 2021, the Commission approved a two-year contract (Contract No. 23-2252) with CliftonLarsonAllen LLP (CLA) to be the Commission's primary auditor. The agreement expires, unless sooner terminated, on July 1, 2024. HOC, in its sole discretion, has three, one-year optional renewals available on the contract. Staff requests authority to utilize the first of these available one-year options.

CLA has more than 8,500 employees, 120 locations with a global affiliation, and more than 400 governmental professionals nationwide, who provide audit services to state and local government clients, including housing authorities. CLA serves more than 4,200+ government entities across the country and more than 60 housing authorities and housing finance agencies, including some of the largest in the country. CLA has an unsurpassed depth of experience serving housing finance agencies and authorities similar to HOC. CLA performs the largest number of single audits in the United States auditing nearly $278 billion dollars in Federal funds in 2021. The local professionals provide financial audit, single audit, and consulting services to more than 60 housing authorities and housing finance agencies and over 500 HUD/LIHTC entities.

CLA has served as the auditor for HOC since fiscal year 2005. The current principal for the engagement has been the lead principal for the last eight (8) years. The proposed quality assurance principal and engagement director will be new to the HOC account, if the firm is retained. The current engagement director will serve as a technical director to assist in the complex areas of the audit. The CLA team has consistently provided HOC with timely and accurate service, continuing education opportunities to staff, and served as a business advisor to many of HOC's complex accounting transactions.

The proposed engagement partner has expertise in governmental auditing and accounting with an emphasis on Federal, State and Local entities that also require Single Audits. In addition, the partner is CLA's national sub-industry leader on providing assurance and consulting services to housing authorities and housing finance agencies. Both the partner and manager have experience in implementing Government Accounting Standards Board (GASB) pronouncements.

Under the current contract, CLA performs the Agency’s annual audit, including the Single Audit and five bond indenture audits. The depth of audit knowledge, as well as their level of commitment, availability and access is exceptional. CLA has demonstrated an ability to work well with all divisions and staff throughout the Agency.

The current contract provides a FY24 audit fee of $245,424. In addition to this base price, staff is requesting a 20% contingency be built into the contract to account for potential additional services rendered. The maximum contract price for FY24 would thus be $294,508. Note that there were significant overages in the FY23 engagement due to additional procedures needed for four Discretely Presented Component Units including Elizabeth House, Wheaton Venture, Viers Mill, and Hillendale as well as additional time and testing required on the Single Audit.

Staff believes CLA offers the Agency a solid combination of government and real estate expertise and will continue to provide high quality and efficient audit services. CLA has met all required auditing and reporting deadlines and provided technical assistance for no additional fees. CLA has also partnered with the Agency to deliver increased transparency, providing draft financial documents and Single Audit materials far in advance of regulatory due dates to allow for Commission review and feedback.

In addition to CLA’s proven track record that includes experience with government accounting, its understanding of HOC’s complex structure, its breadth and ability to consult on challenging issues, and its ability to help provide greater transparency to the process, CLA has been a beacon of stability and reliability to HOC. HOC is in and has undergone a period of change. These include changes in leadership, the leadership team, staff, where and how we work, strategy, and a change in commissioners. Change is inevitable, and HOC has implemented certain strategies to involve more HOC team members to become more learned in the Single Audit and ACFR process, and CLA has helped to foster this environment. More work needs to be done to strengthen these redundancies to ensure continuity of operations, and staff believes that continuing to partner with CLA will help to provide stability and improvements to internal controls, Agency operations, and ultimately how we deliver on our mission.

ISSUES FOR CONSIDERATION:

Will the Budget, Finance and Audit Committee join staff’s recommendation to the Commission to renew the primary audit contract with CliftonLarsonAllen LLP for a one (1) year term?

BUDGET/FISCAL IMPACT:

There is no budget impact for the FY2024 Adopted Budget. Audit costs are paid from HOC's General Fund. The cost for the FY2024 Audit will be incorporated in the FY2025 Agency Budget.

TIME FRAME:

Action is requested at the January 10, 2024 Commission meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff requests that the Budget, Finance and Audit Committee join its recommendation to the Commission to renew the primary audit contract with CliftonLarsonAllen LLP for a one-year term. The contract expiration date is July 1, 2024 and if this request is approved, it extends the contract through July 1, 2025.

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, President/Executive Director

FROM: Staff: Ali Ozair, Vice President, Property Management
Zachary Marks, Senior Vice President, Real Estate

RE: **Extension of Property Management Contracts:** Request to Extend Property Management Agreements Expiring in First Quarter Calendar Year 2024

DATE: December 20, 2023

STATUS: **Consent_____ Deliberation __ X _ Status _____ Report _____ Future Action _____**

BACKGROUND:
Staff recommends extending all management agreements set to expire in the third quarter of fiscal year 2024 through 6/30/2024.

Currently, staff is actively working to execute contracts for the nineteen (19) renewals and four (4) changes in management agents, which were approved by the Commission on November 15, 2023, with the effective date of January 1, 2024. For the contracts set to expire in the third quarter of fiscal year 2024, an extension is being requested through June 30, 2024. This extension is to allow sufficient time to procure management services and thoroughly review the Request for Proposals received. The additional time will enable staff to engage in thorough discussions with respondents, address any queries that may arise during the review process, and ultimately make a well-informed decision in the best interest of our organization.

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

	Property	Current vendor	Annual Contract Cost	Current Contract End Date	Proposed Renewal Period
1	Camp Hill Square	Edgewood Management	$22,176	03/31/2024	6/30/2024
2	Dale Drive	Residential One Management	$4,128	03/31/2024	6/30/2024
3	Fairfax Court	Residential One Management	$8,628	03/31/2024	6/30/2024
4	Fenton Silver Spring	Edgewood Management	$62,000	02/29/2024	6/30/2024
5	Manchester Manor	Residential One Management	$25,374	03/31/2024	6/30/2024

6	Oaks @ Four Corners	Edgewood Management	$59,868	01/01/2024	6/30/2024
7	Paddington Square Apts	Residential One Management	$87,216	03/31/2024	6/30/2024
8	Pooks Hill Court	Edgewood Management	$25,402	03/31/2024	6/30/2024
9	Pooks Hill Tower	Edgewood Management	$95,256	03/31/2024	6/30/2024
10	RAD 6 – KEN GAR	Edgewood Management	$12,120	03/31/2024	6/30/2024
11	RAD 6 – PARKWAY WOODS	Edgewood Management	$15,792	03/31/2024	6/30/2024
12	RAD 6- SANDY SPRING MEADOW	Edgewood Management	$36,216	03/31/2024	6/30/2024
13	RAD 6 – TOWNE CENTRE PLACE	Edgewood Management	$32,280	03/31/2024	6/30/2024
14	RAD 6 – WASHINGTON SQUARE	Edgewood Management	$30,912	03/31/2024	6/30/2024
15	RAD 6 –SENECA RIDGE	Edgewood Management	$36,264	03/31/2024	6/30/2024
16	RESIDENCES ON THE LANE	Edgewood Management	$75,600	03/31/2024	6/30/2024
17	SHADY GROVE APARTMENTS	Edgewood Management	$55,176	03/31/2024	6/30/2024
18	SOUTHBRIDGE	Residential One Management	$20,124	03/31/2024	6/30/2024
19	SPRING GARDEN APARTMENTS	Edgewood Management	$39,396	03/31/2024	6/30/2024
20	TANGLEWOOD & SLIGO APTS	Residential One Management	$62,568	03/31/2024	6/30/2024
21	THE BARCLAY	Residential One Management	$77,658	03/31/2024	6/30/2024
22	TIMBERLAWN CRESCENT	Edgewood Management	$54,024	03/31/2024	6/30/2024
23	THE WILLOWS	Edgewood Management	$91,728	03/31/2024	6/30/2024

This submittal includes contracts for twenty-three properties (18 owner entities), which are managed by two different property management companies. These companies include Edgewood Management and Residential One. These companies have provided property management services to HOC over several years. Their history with HOC follows:

<u>Edgewood Management</u> - The Company is a well-known property management company that has been providing property management services in the DC metro area since 1971. Edgewood has a long history with HOC and manages several properties in our portfolio, including senior, multifamily, and scattered sites. Edgewood currently manages 28 HOC properties.

<u>Residential One</u> - The company is an award-winning property management firm with close to 10,000 units under management. They represent third parties including individual owners, non-profit and for profit

organizations, family trusts, government, and quasi-government agencies in Maryland, DC, and Virginia. Residential One currently manages eight (8) properties for HOC.

ISSUES FOR CONSIDERATION:

Does the Budget Finance and Audit Committee join staff's recommendation that the Commission authorize the President/Executive Director to execute extensions of the property management contracts with Edgewood Management and Residential One for The Barclay, Fairfax Court, Fenton Silver Spring, Pooks Hill Towers, Pooks Hill Court, Residences On The Lane, RAD 6 (Ken Gar, Parkway Woods, Sandy Spring Meadow, Seneca Ridge, Towne Center Place, Washington Square), Camp Hill Square, Shady Grove Apartments, Dale Drive, Manchester Manor, Southbridge, Tanglewood & Sligo, Spring Garden Apartments, The Willows, Timberlawn Crescent, Oaks @ Four Corners, and Paddington Square?

BUDGET IMPACT:

The renewal of the property management contracts will not have an adverse budget impact for the fiscal year 2024 operating budget. The costs associated with the services are included in the property budgets. Additionally, the contracts will be performance-based with fees paid only on occupied units.

TIME FRAME:

Deliberation at the Budget, Finance, and Audit Committee meeting on 12/20/2023, and formal Commission action at the January 10, 2024 meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Budget Finance and Audit Committee join staff's recommendation that the Commission approve the extension of the property management services contracts with the respective management companies heretofore discussed for The Barclay, Fairfax Court, Fenton Silver Spring, Pooks Hill Towers, Pooks Hill Court, Residences On The Lane, Rad 6 (Ken Gar, Parkway Woods, Sandy Spring Meadow, Seneca Ridge, Towne Center Place, Washington Square), Camp Hill Square, Shady Grove Apts, Dale Drive, Manchester Manor, Southbridge, Tanglewood & Sligo, Spring Garden Apartments, The Willows, Timberlawn Crescent, Oaks @ Four Corners, and Paddington Square.

APPROVAL TO SELECT BOZZUTO AS PROPERTY MANAGER FOR HILLANDALE GATEWAY

Procurement of Property Management Services

HOC

CHELSEA J. ANDREWS, PRESIDENT/EXECUTIVE DIRECTOR

Zachary Marks, SVP of Real Estate
Ali Ozair, VP of Property Management

December 20, 2023

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Executive Summary

On August 30, 2023, HOC issued a Request for Proposal (#2421) soliciting responses from firms to provide property management services for Hillandale Gateway. Four (4) proposals were received from Edgewood Management, Bozzuto, CAPREIT, and Habitat.

After review of the four proposals, staff recommends that the Commission authorize the President/Executive Director to negotiate and execute a contract with Bozzuto.

Staff further recommends that the Commission authorize the President/Executive to execute a contract with Bozzuto, initially for a two-year term, with two optional one year renewals.

- During the construction, Bozzuto will provide advisory services to the development at no additional cost.
- Approximately three months prior to the delivery of the building for occupancy, Bozzuto will be paid a flat fee for leasing, based on the agreed upon leasing schedule.
- Once stabilized occupancy of 95% is reached, the per unit fee of $58.33 will commence.

Bozzuto offers valued experience in management services for market rate and affordable multifamily apartment communities. Bozzuto is committed to providing the highest standard of service in every aspect of property operations, including lease-up and stabilization, accounting, marketing, and compliance. The management firm has more than 35 years of Mid-Atlantic experience in property management services.

Executive Summary

Property Description

Hillandale Gateway is a visionary new all-electric, mixed-use, mixed-income, intergenerational community that is redefining how large projects can target the highest levels of sustainability while providing affordability and resiliency to its residents and the surrounding community. The entire Hillandale Gateway community features two primary residential buildings totaling 463 apartments, including a 155-unit, 100% affordable, age-restricted (62 years and older) building ("AR Building") and a 308-unit mixed-income "Non-Age Restricted" building ("NAR Building").

The campus will also feature community-serving retail buildings, ancillary parking, an outdoor amphitheater, and a new transit center to connect Hillandale Gateway to the broader DC metro area. The manager for the AR Building will be solely responsible for managing the 155 age-restricted LIHTC units within the AR Building. The manager for the NAR Building will be responsible for managing the 308 units (93 LIHTC and 215 market rate) within the NAR Building; the retail spaces below labeled "AR Retail Condo", "Retail 1 & Retail 2" and "Retail 3" totaling approximately 10,000 SF, the parking garage, and shared site areas (e.g. roadways, sidewalks, etc.).

Selection of Property Management Company - Criteria

HOC issued a Request for Proposals (#2421) for Property Management Services for Hillandale Gateway in accordance with HOC's Procurement Policy.

HOC received responses from four management companies. The scoring team (consisting of staff from Property Management, Asset Management, and Real Estate) completed its review of the responses on October 20, 2023, based on the following evaluation criteria:

Criteria #	Criteria Description	Maximum Points
0	Minimum Qualifications · Respondent submitted all information requested in the RFP. · Respondent met the minimum experience threshold. · Respondent demonstrated financial viability.	Y/N ☐ ☐ ☐
1	Qualifications and Capabilities · Respondent demonstrated sufficient experience in managing properties similar to the Property. · Respondent demonstrated how their general experience would be applicable at the Property. · Respondent demonstrated experience working with non-profits, PHAs, and/or government agencies. · Respondent demonstrated sufficient experience of its executive staff, and proposed on-site and off-site staff. · Respondent demonstrated sufficient experience and methodologies for handling customer satisfaction. · Respondent outlined their programs regarding diversity, equity and inclusion. · Respondent demonstrated sufficient experience handling crises and other major events.	Up to 25

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Selection of Property Management Company - Criteria

Scoring Criteria continued:

Criteria #	Criteria Description	Maximum Points
2	Current and Past Performance Respondent must submit information on the following: · Rent charges vs. collection history · Occupancy · Turnover/vacancies · NOI and debt at other managed properties · Aged Accounts Receivable	Up to 20
3	Proposed Property Plan Quality of and detail in the proposed Pre-Leasing and Marketing Plan, Management Plan, Maintenance Plan, Subcontracting Plan, and Staffing Plan for the Property.	Up to 15
4	Management Fee/Vendor Costs The detail and affordability of the proposed management fee(s).	Up to 25
5	MFD Participation ○ Up to 5 points for direct MFD efforts ○ Up to 10 points for subcontracts and wages	Up to 15

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Selection of Property Management Company – Firm Experience

The four respondents earned average scores that ranged between 66.33 and 79.00 out of a maximum possible score of 100. The scoring was competitive; however, Bozzuto emerged with the winning score of 79.00.

Bozzuto

The Company has a national presence of 320 properties with more than 99,000 apartments and 3.2 million square feet of retail space. Bozzuto is experienced in managing mixed-income communities with various affordable programs. The company has also been our development partner at new properties and completed multiple lease-ups and marketing for the new HOC properties. Bozzuto is currently managing five (5) stabilized HOC properties, which are listed below. Bozzuto is also managing one (1) new construction property (The Laureate) which is in lease-up.

Property Name	Occupancy	Total Units	Submarket
The Lindley	90%	200	Chevy Chase
The Metropolitan	90%	308	Bethesda
MetroPointe	96%	173	Wheaton
Strathmore Court	96%	202	Rockville
The Laureate	95%	268	Derwood/ Rockville

Staff is proposing a two-year management contract with Bozzuto for Hillandale Gateway with two one-year optional renewals in accordance with HOC's Procurement Policy.

Summary and Recommendations

Issues for Consideration

Does the Budget, Finance, and Audit Committee wish to join staff's recommendation to the full Commission, authorizing the President/Executive Director to award the property management services contract to Bozzuto for the Hillandale Gateway development?

Budget/Fiscal Impact

The selection of Bozzuto will not impact the Commission's FY2024 operating budget. The cost for leaseup will be built into and paid by the development budget. Upon completion of the construction and the buildings placed in service, a budget reflecting the plan for operations will be presented to the Commission for approval.

Time Frame

For deliberation at the Budget, Finance, and Audit Committee meeting on December 20, 2023, and for formal Commission action at the January 10, 2024 meeting.

Staff Recommendation and Commission Action Needed

Staff recommends that the Budget, Finance, and Audit Committee recommend to the full Commission authorization for the President/Executive Director to execute a management contract with Bozzuto for property management services at Hillandale Gateway.

Staff further recommends approval of an initial two-year contract with two optional one-year renewals.

Adjourn