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## **BUDGET, FINANCE & AUDIT COMMITTEE**

**December 15, 2020**  
**10:00 a.m. – via Zoom**

### **Discussion Items:**

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# Discussion Items

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

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

**VIA:** Stacy L. Spann, Executive Director

<b>FROM:</b>	Staff: Cornelia Kent	Division: Finance	Ext. 9754
	Terri Fowler		Ext. 9507
	Tomi Adebo		Ext. 9472

**RE:** Acceptance of First Quarter FY'21 Budget to Actual Statements

**DATE:** December 15, 2020

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**BACKGROUND:**

The Executive Director is presenting the quarterly budget to actual statements and amendments to the BF&A for informal review. Staff will present any proposed budget amendments and recommendations to the full Commission for formal action.

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**ISSUES FOR CONSIDERATION:**

To assess the financial performance of the Agency for the first quarter of FY'21 against the budget for the same period.

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**BUDGET IMPACT:**

A first quarter budget amendment will be informally discussed with the Budget, Finance and Audit Committee at the December 15, 2020 meeting. The Commission will be asked to approve the first quarter budget amendment at the January 13, 2021 Commission meeting. Future amendments will be presented to the Commission as necessary.

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**TIME FRAME:**

For informal discussion at the December 15, 2020 Committee meeting. For formal Commission action at the January 13, 2021 meeting.

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**STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:**

Staff requests that the Budget, Finance and Audit Committee join its recommendation to the full Commission acceptance of the First Quarter FY'21 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'21 consists of an overall summary and additional detail on the Opportunity Housing properties, the Development Corporation properties, the Public Housing and Housing Choice Voucher (HCV) Programs and all Capital Improvements Budgets.

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

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

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

The Commission approves the revenue and 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 Budget to Actual Comparison Summary Statement (Attachment A) shows unrestricted net cash flow or deficit for each of the funds. Attachment A also highlights the FY'21 First Quarter Capital Budget to Actual Comparison.

The Agency ended the quarter with a net cash flow surplus of \$623,314. This surplus resulted in a first quarter budget to actual positive variance of \$3,008,886 when compared to the anticipated first quarter net cash flow deficit of \$2,385,572. The primary causes were higher cash flow in some of the unrestricted Opportunity Housing Properties, as a result of property performance (see Opportunity Housing Fund) and savings in various expense categories in the General Fund (see General Fund).

It is worth noting that the property FY'21 budgets were developed to account for a COVID-19 Pandemic impact through the first quarter by reducing rental income based on anticipated non-payments of rent. Any non-receipt of rental income due to COVID-19 will not be reflected on the income statements until the payment is over 90 days in arrears at which time an allowance for bad debt will be established. Therefore, the income on several of our properties is showing a positive income variance that may be offset by additional bad debt expense. The FY'21 actuals through September 30th only reflect allowances established for late payment receivables over 90 days. At September 30<sup>th</sup>, the tenant receivable balance has increased almost \$700,000 from July 30. Staff does anticipate that a portion of this amount will result in additional allowances and the potential for additional allowances to be set up in subsequent months to reflect the continuation of non-payments during the pandemic.

### 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 \$2,068,411, which resulted in a positive variance of \$1,435,305 when compared to the projected deficit of \$3,503,716.

As of September 30, 2020, income in the General Fund was \$80,297 lower than budgeted and expenses were \$1,515,602 lower than budgeted. The negative income variance was primarily the result of 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 and tenant service expenses. A portion of these savings is the result of timing issues, staff does not anticipate the full savings to be realized at year end.

The **Multifamily Bond Fund** and **Single Family Bond Fund** are budgeted to balance each year. Income (the bond drawdowns that finance the administrative costs for these funds) is in line with the budget. The FY'21 First Quarter Budget Amendment includes a reduction to the draws for each program based on the accumulated savings at the end of FY'20 in the respective Bond Program which will be used towards the FY'21 administrative costs. The positive expense variance in the Bond Funds is a result of small savings in various administrative accounts.

### The Opportunity Housing Fund

**Attachment B** is a chart of 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'21 Operating Budget. This group ended the quarter with cash flow of \$1,771,003 or \$241,093 more than projected.

- **Alexander House Dev Corp** ended the quarter with a negative cash flow variance of \$213,187 as a result of slightly lower tenant income coupled with higher concessions and vacancy loss, bad debt and maintenance expense. Cash flow at **The Barclay Dev Corp** was \$21,254 higher than anticipated due to higher tenant income offset by higher vacancy loss coupled with savings in administrative and utility costs offset by higher bad debt expense. **Glenmont Crossing Dev Corp** experienced a positive cash flow variance of \$79,171 as a result of higher tenant income and savings in maintenance cost partially offset by higher bad debt. **Glenmont Westerly Dev Corp** also experienced a positive cash flow variance of \$118,038 as a result of lower utilities and maintenance cost coupled with higher tenant income that was partially offset by higher vacancy loss. Cash flow at **Magruder's Discovery Dev Corp** was \$7,422 lower than anticipated due to higher maintenance and administrative cost that was partially offset by higher tenant income. **The Metropolitan Dev Corp** ended the quarter with a positive cash flow variance of \$177,743 as a result of higher tenant income and fees coupled with savings in tenant services, utility and maintenance cost that was partially offset by slightly higher vacancy loss. **Montgomery Arms Dev Corp** and **Pooks Hill High-Rise Dev Corp** experienced positive cash flow variances of \$57,853 and \$122,995, respectively, as a result of higher

tenant income coupled with lower utility and maintenance costs that was offset partially by slightly higher vacancy loss. **TPM – MPDU II (59) Dev Corp, Scattered Site One Dev Corp and Scattered Site Two Dev Corp** reported positive cash flow variances of \$18,923, \$6,469 and \$12,451 respectively, primarily attributed to higher tenant income offset by higher vacancies. TPM – MPDU II (59) and Scattered Site One also reported higher bad debt and maintenance expense. **Paddington Square Dev Corp** ended the quarter with a positive cash flow variance of \$18,620 as a result of higher tenant income and savings in maintenance costs offset partially by higher vacancy loss, bad debt, utility and tax expense. Cash flow at **Sligo Development Corp** was \$5,638 lower than anticipated due to higher bad debt expense offset partially by higher tenant income and savings in administrative costs. **VPC One and VPC Two Dev Corps** experienced negative cash flow variances of \$102,304 and \$63,873 respectively, as a result of higher bad debt and maintenance expense countered by higher tenant income.

- The second group consists of properties whose cash flow will not be used for the Agency's FY'21 Operating Budget. Cash flow from this group of Development Corporation properties was \$131,217 more than budgeted for the quarter. **MetroPointe Dev Corp** reported a positive cash flow variance of \$34,383 primarily attributed to higher tenant income and savings in administrative and maintenance cost offset by higher vacancy and bad debt expense. Cash flow at the **Oaks at Four Corners Dev Corp** was \$67,681 higher than anticipated due to higher tenant income and savings in administrative, tenant services, and maintenance expenses offset by higher vacancy. The **RAD 6** properties experienced a positive cash flow variance of \$29,153 collectively, as a result of higher tenant income offset by overages in various expense categories. The overages were primarily at Seneca Ridge, Towne Centre Place and Washington Square. The planned deficit at **Seneca Ridge** was \$9,374 more than anticipated primarily due to overages in administrative, utility and maintenance costs and bad debt expense offset by higher gross rents and lower than anticipated vacancy loss. **Town Centre Place** reported a positive cash flow variance of \$11,821 primarily attributed to higher tenant income offset by higher vacancy, bad debt and maintenance expense. **Washington Square** reported a negative cash flow variance of \$21,164, primarily attributed to higher bad debt, maintenance and administrative cost that were partially offset by higher tenant income and lower vacancy as well as savings in utility costs.

**Attachment C** is a chart of 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'21 Operating Budget. This group ended the quarter with cash flow of \$920,722 or \$1,332,488 more than projected.

- Cash flow at **Avondale** was \$40,195 higher than anticipated due to lower debt service payments. A Fy'21 first Quarter Budget Amendment will be presented to adjust for this. **Barclay Affordable** experienced a positive cash flow variance of \$76,987 as a result of higher gross rents, lower vacancy, administrative and maintenance cost offset partially by higher bad debt expense. **Holiday Park** reported a negative cash flow variance of \$9,851 primarily

attributed to high maintenance expense and bad debt. Cash flow at **Manchester Manor** was \$3,708 lower than anticipated due to higher administrative, utility, security and bad debt expense that was almost offset by higher gross rents. **Metropolitan Affordable** experienced a positive cash flow variance of \$72,476 as a result of higher gross rents coupled with savings in utility and maintenance cost that was partially offset by slightly higher vacancy. **MHLP VII** reported a positive cash flow variance of \$46,481 primarily attributable to higher tenant income offset by higher vacancy coupled with savings in maintenance cost and debt payments. **MHLP IX Scattered Sites** experienced a positive cash flow variance of \$57,371 as a result of savings in administrative, maintenance, and debt expenses coupled with higher gross rents that were partially offset by higher vacancy. Cash flow at **MHLP X** was \$71,162 higher than anticipated due to higher gross rents and lower debt service payments offset partially by higher bad debt. **Shady Grove** and **TPP LLC Timberlawn** experienced positive cash flow variances of \$71,440 and \$135,752 as a result of savings in most expense categories coupled with higher tenant income and lower vacancy loss. **Westwood Towers** ended the quarter with a positive cash flow variance of \$230,173 as a result of higher tenant income coupled with savings in most expense categories that were partially offset by higher vacancy loss and bad debt expense. Cash flow at **The Willows** was \$134,878 higher than anticipated due to higher gross rents that were partially offset by greater than anticipated concessions and vacancy loss coupled with savings in administrative, tenant service, maintenance and debt service payments offset by higher utilities expenses.

- The second group consists of properties whose cash flow will not be used for the Agency's FY'21 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 \$118,964 higher than budgeted. The demolition of **The Ambassador** was completed in April of 2020. The property experienced expenses of \$5,738 mainly driven by costs associated with the transfer of the property to Wheaton Gateway and taxes coupled with interest paid on the outstanding debt on the PNC Real Estate Line of Credit (RELOC). There are sufficient reserves at the property to cover the costs. **Brookside Glen** experienced a positive cash flow variance of \$29,934 as a result of higher gross rents partially offset by high utilities expense and bad debt. **Cider Mill** reported a positive cash flow variance of \$26,432 primarily due to higher tenant income countered by higher than anticipated bad debt, utilities and security cost. An adjustment for the higher utility costs will be made in December to account for the sub-metering of the cost to the tenants for August and September. **Diamond Square** ended the quarter with a positive cash flow variance of \$46,791 mostly the result of higher gross rents coupled with savings in utility costs that were partially offset by overages in maintenance and bad debt expense. Cash flow at **Elizabeth House Interim RAD** was \$57,101 higher than anticipated due to higher subsidy payments that included the receipt of vacant unit subsidies that were partially offset by overages in administrative and utility expenses coupled with COVID-19 cost and concierge services for residents. **Georgian Court Affordable**, the **NCI units** and the **NSP units** experienced positive cash flow variances of \$106,747, \$23,688 and \$16,539, respectively, as a result of savings in most expense categories coupled with higher tenant income. **Holly Hall Interim RAD** which was vacated in November 2019 and therefore not budgeted has continued to experience maintenance costs for the building as well as cost

for securing the vacant building totaling \$163,307. Cash flow at **Paint Branch** was \$9,817 lower than anticipated due to lower rents and higher vacancy loss coupled with higher maintenance costs. **State Rental Combined** reported a negative cash flow variance of \$4,137 primarily attributed to higher bad debt and vacancy loss largely offset by higher tenant income.

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

- The FY'21 Budget was developed with no Public Housing property budgets. A small amount of expenses continued at **Emory Grove** for communication costs and solid waste tax.
- The Housing Choice Voucher Program (HCVP) ended the quarter with a shortfall of \$2,821,167. The shortfall was comprised of Housing Assistance Payment (HAP) payments that exceeded HAP revenue by \$3,276,147 offset by an administrative surplus of \$454,980. The HAP shortfall was funded from the HCVP reserve (NRP), which includes funds received in prior years that were recognized but not used. The program ended the period with a positive administrative variance of \$454,980 when compared to the projected surplus of \$10,188 as a result of higher than anticipated administrative fee income coupled with a positive variance in administrative expenses due largely to the timing of contract expenses. The higher administrative fee income was the result of a higher proration factor of 80% compared to the budgeted proration factor of 79% and higher administrative fees received on incoming portables coupled with the Department of Housing and Urban Development (HUD) providing additional administrative fees in July and September 2020 as a result of the reconciliation of fees earned based on actual utilization from January 1 through June 30 2020.

#### **Tax Credit Partnerships**

The Tax Credit Partnerships have a calendar year end. Quarterly Budget to Actual Statements are reported to the Budget, Finance, and Audit Committee.

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

Attachment E is a chart of the Capital Improvements Budget for FY'21. 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 very 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.

**Georgian Court Affordable** has exceeded its FY'21 capital budget by a small amount due to higher than anticipated flooring contracts. **McKendree** overspent as a result of HVAC work that was more than anticipated. **Scattered Site One Dev Corp** exceeded its capital budget due to flooring and HVAC replacement.



## FY 21 First Quarter Operating Budget to Actual Comparison

	Unrestricted Net Cash Flow		
	(3 Months) Budget	(3 Months) Actual	Variance
<b>General Fund</b>			
General Fund .....	(\$3,503,716)	(\$2,068,411)	\$1,435,305
<b>Administration of Multifamily and Single Family Fund</b>			
Multifamily Fund .....	\$469,550	\$486,762	\$17,212
Draw from / (Restrict to) Multifamily Bond Fund .....	(\$469,550)	(\$486,762)	(\$17,212)
Single Family Fund .....	\$516,228	\$525,603	\$9,376
Draw from / (Restrict to) Single Family Bond Fund .....	(\$516,228)	(\$525,603)	(\$9,376)
<b>Opportunity Housing Fund</b>			
Opportunity Housing Properties .....	(\$411,766)	\$920,722	\$1,332,488
Development Corporation Property Income .....	\$1,529,910	\$1,771,003	\$241,093
<b>OHRF</b>			
OHRF Balance .....	\$605,040	\$870,899	\$265,859
Excess Cash Flow Restricted .....	(\$605,040)	(\$870,899)	(\$265,859)
Draw from existing funds .....	\$0	\$0	\$0
<b>Net -OHRF</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>SUBTOTAL - General Fund, Multifamily, Single Family, Opportunity Housing</b>	<b>(\$2,385,572)</b>	<b>\$623,314</b>	<b>\$3,008,886</b>
<b>Public Fund</b>			
Public Housing Rental (1) .....	\$0	(\$2,723)	(\$2,723)
Housing Choice Voucher Program HAP (2) .....	\$1,253,222	(\$3,276,147)	(\$4,529,369)
Housing Choice Voucher Program Admin (3) .....	\$10,188	\$454,980	\$444,792
<b>Total -Public Fund</b>	<b>\$1,263,410</b>	<b>(\$2,823,890)</b>	<b>(\$4,087,300)</b>
<b>Public Fund - Reserves</b>			
(1) Public Housing Rental - Draw from / Restrict to Program .....	\$0	\$2,723	\$2,723
(2) Draw from / Restrict to HCV Program Cash Reserves .....	(\$1,253,222)	\$3,276,147	\$4,529,369
(3) Draw from / Restrict to HCV Program Excess Admin Fee .....	(\$10,188)	(\$454,980)	(\$444,792)
<b>SUBTOTAL - Public Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>TOTAL - All Funds</b>	<b>(\$2,385,572)</b>	<b>\$623,314</b>	<b>\$3,008,886</b>

## FY 21 First Quarter Operating Budget to Actual Comparison

	(12 Months) Budget	Capital Expenses	Variance
		(3 Months) Actual	
<b>General Fund</b>			
880 Bonifant .....	\$255,000	\$2,236	\$252,764
East Deer Park .....	\$195,000	\$6,293	\$188,707
Kensington Office .....	\$50,000	\$15,289	\$34,711
Information Technology .....	\$532,440	\$131,713	\$400,727
<b>Opportunity Housing Fund</b>	<b>\$6,617,726</b>	<b>\$1,073,331</b>	<b>\$5,544,395</b>
<b>TOTAL - All Funds</b>	<b>\$7,650,166</b>	<b>\$1,228,862</b>	<b>\$6,168,540</b>

## FY 21 First Quarter Operating Budget to Actual Comparison

### Development Corp Properties - Net Cash Flow

	(3 Months)		Variance		(3 Months)	
	Net Cash Flow		Income	Expense	Net Cash Flow	Variance
	Budget				Actual	
<b>Properties with unrestricted cash flow for FY21 operating budget</b>						
Alexander House Dev Corp .....	(\$39,526)		(\$152,792)	(\$60,396)	(\$252,713)	(\$213,187)
The Barclay Dev Corp .....	(\$5,894)		\$33,046	(\$11,792)	\$15,360	\$21,254
Glenmont Crossing Dev Corp .....	\$67,550		\$36,429	\$42,741	\$146,721	\$79,171
Glenmont Westerly Dev Corp .....	\$18,551		\$38,006	\$80,032	\$136,589	\$118,038
Magruder's Discovery Dev Corp .....	\$163,873		\$25,228	(\$32,650)	\$156,451	(\$7,422)
The Metropolitan Dev Corp .....	\$400,160		\$120,564	\$57,179	\$577,903	\$177,743
Montgomery Arms Dev Corp .....	\$102,736		\$37,927	\$19,927	\$160,589	\$57,853
TPM - MPDU II (59) Dev Corp .....	\$57,249		\$34,270	(\$15,348)	\$76,172	\$18,923
Paddington Square Dev Corp .....	\$59,851		\$67,355	(\$48,735)	\$78,471	\$18,620
Pooks Hill High-Rise Dev Corp .....	\$120,103		\$65,624	\$57,371	\$243,098	\$122,995
Scattered Site One Dev Corp .....	\$9,003		\$81,804	(\$75,336)	\$15,472	\$6,469
Scattered Site Two Dev Corp .....	(\$31,358)		\$11,863	\$588	(\$18,907)	\$12,451
Sligo MPDU III Dev Corp .....	\$2,585		\$9,666	(\$15,304)	(\$3,053)	(\$5,638)
VPC One Dev Corp .....	\$354,115		\$55,198	(\$157,502)	\$251,811	(\$102,304)
VPC Two Dev Corp .....	\$250,912		(\$11,407)	(\$52,466)	\$187,039	(\$63,873)
<b>Subtotal</b>	<b>\$1,529,910</b>		<b>\$452,781</b>	<b>(\$211,691)</b>	<b>\$1,771,003</b>	<b>\$241,093</b>
<b>Properties with restricted cash flow (external and internal)</b>						
MetroPointe Dev Corp .....	(\$90,929)		\$29,644	\$4,739	(\$56,546)	\$34,383
Oaks at Four Corners Dev Corp .....	\$9,381		\$25,837	\$41,843	\$77,062	\$67,681
<b>RAD 6 Dev Corp Total</b> .....	<b>(\$149,176)</b>		<b>\$84,866</b>	<b>(\$55,713)</b>	<b>(\$120,023)</b>	<b>\$29,153</b>
Ken Gar Dev Corp .....	\$1,085		(\$1,372)	\$4,102	\$3,814	\$2,729
Parkway Woods Dev Corp .....	(\$2,391)		(\$612)	\$28,062	\$25,059	\$27,450
Sandy Spring Meadow Dev Corp .....	(\$10,446)		\$3,558	\$14,133	\$7,245	\$17,691
Seneca Ridge Dev Corp .....	(\$111,247)		\$23,242	(\$32,616)	(\$120,621)	(\$9,374)
Towne Centre Place Dev Corp .....	(\$8,837)		\$38,719	(\$26,898)	\$2,984	\$11,821
Washington Square Dev Corp .....	(\$17,340)		\$21,331	(\$42,496)	(\$38,504)	(\$21,164)
<b>Subtotal</b>	<b>(\$230,724)</b>		<b>\$140,347</b>	<b>(\$9,131)</b>	<b>(\$99,507)</b>	<b>\$131,217</b>
<b>TOTAL ALL PROPERTIES</b>	<b>\$1,299,186</b>		<b>\$593,128</b>	<b>(\$220,822)</b>	<b>\$1,671,496</b>	<b>\$372,310</b>

**FY 21 First Quarter Operating Budget to Actual Comparison**  
**For Opportunity Housing Properties - Net Cash Flow**

	(3 Months)		Variance		(3 Months)	
	Net Cash Flow		Income	Expense	Net Cash Flow	
	Budget				Actual	Variance
<b>Properties with unrestricted cash flow for FY21 operating budget</b>						
MPDU I (64) .....	(\$21,810)	\$26,138		(\$10,262)	(\$5,934)	\$15,876
Avondale Apartments .....	\$5,769	\$4,521	\$35,674		\$45,964	\$40,195
Barclay Affordable .....	(\$12,959)	\$48,781	\$28,205		\$64,028	\$76,987
Brooke Park .....	\$0	\$0	(\$142)		(\$142)	(\$142)
Camp Hill Square .....	\$46,177	\$29,061	\$881		\$76,119	\$29,942
Chelsea Towers .....	(\$38,900)	\$3,372	\$20,407		(\$15,122)	\$23,778
Fairfax Court .....	\$23,019	\$7,883	\$13,646		\$44,549	\$21,530
Holiday Park .....	(\$66,186)	\$3,611	(\$13,461)		(\$76,037)	(\$9,851)
Jubilee Falling Creek .....	\$585	(\$843)	\$1,745		\$1,487	\$902
Jubilee Hermitage .....	(\$3,149)	\$446	\$3,405		\$702	\$3,851
Jubilee Horizon Court .....	(\$1,684)	\$6,384	\$1,789		\$6,489	\$8,173
Jubilee Woodedge .....	(\$1,162)	(\$600)	\$1,606		(\$156)	\$1,006
Manchester Manor .....	(\$158)	\$9,141	(\$12,849)		(\$3,866)	(\$3,708)
The Manor at Cloppers Mill .....	\$36,581	\$18,250	(\$16,127)		\$38,704	\$2,123
The Manor at Colesville .....	\$35,177	\$20,357	(\$8,455)		\$47,080	\$11,903
The Manor at Fair Hill Farm .....	\$24,477	\$24,326	(\$4,077)		\$44,726	\$20,249
McHome .....	\$1,954	\$14,586	\$6,909		\$23,449	\$21,495
McKendree .....	\$5,094	\$8,466	(\$3,622)		\$9,938	\$4,844
Metropolitan Affordable .....	(\$172,770)	\$23,444	\$49,032		(\$100,294)	\$72,476
MHLP VII .....	(\$55,392)	\$24,220	\$22,261		(\$8,911)	\$46,481
MHLP VIII .....	(\$47,497)	\$13,757	(\$1,101)		(\$34,840)	\$12,657
MHLP IX Pond Ridge .....	(\$42,391)	\$1,200	\$17,089		(\$24,101)	\$18,290
MHLP IX Scattered Sites .....	(\$171,787)	\$17,001	\$40,370		(\$114,416)	\$57,371
MHLP X .....	(\$90,649)	\$49,304	\$21,857		(\$19,487)	\$71,162
MPDU 2007 Phase II .....	(\$1,178)	\$7,961	\$3,399		\$10,181	\$11,359
Pooks Hill Mid-Rise .....	\$43,899	\$12,449	\$12,565		\$68,913	\$25,014
Shady Grove Apts .....	\$80,424	\$17,617	\$53,823		\$151,864	\$71,440
Stewartown Affordable .....	(\$35,702)	\$57,932	\$54,971		\$77,201	\$112,903
Strathmore Court .....	\$141,629	\$65,908	(\$31,930)		\$175,607	\$33,978
Strathmore Court Affordable .....	(\$161,029)	\$27,322	\$1,707		(\$132,001)	\$29,028
TPP LLC Pomander Court .....	\$14,164	(\$3,306)	\$3,679		\$14,537	\$373
TPP LLC Timberlawn .....	\$92,317	\$69,360	\$66,392		\$228,069	\$135,752
Westwood Tower .....	\$63,722	\$133,402	\$96,771		\$293,895	\$230,173
The Willows .....	(\$102,351)	\$51,828	\$83,050		\$32,527	\$134,878
<b>Subtotal</b>	<b>(\$411,766)</b>	<b>\$793,279</b>	<b>\$539,207</b>		<b>\$920,722</b>	<b>\$1,332,488</b>
<b>Properties with restricted cash flow (external and internal)</b>						
The Ambassador .....	\$0	\$0	(\$5,738)		(\$5,738)	(\$5,738)
Brookside Glen (The Glen) .....	\$23,845	\$48,273	(\$18,339)		\$53,779	\$29,934
CDBG Units .....	(\$238)	(\$2,069)	\$737		(\$1,570)	(\$1,332)
Cider Mill Apartments .....	(\$158,991)	\$400,721	(\$374,288)		(\$132,559)	\$26,432
Dale Drive .....	\$5,936	(\$16)	\$513		\$6,433	\$497
Diamond Square .....	\$38,973	\$49,933	(\$3,142)		\$85,764	\$46,791
Elizabeth House Interim RAD .....	(\$35,005)	\$223,682	(\$166,581)		\$22,096	\$57,101
Georgian Court Affordable .....	(\$17,341)	\$42,823	\$63,924		\$89,406	\$106,747
Holly Hall Interim RAD .....	\$0	(\$209)	(\$163,307)		(\$163,516)	(\$163,516)
NCI Units .....	(\$18,721)	\$9,607	\$14,081		\$4,967	\$23,688
NSP Units .....	(\$11,486)	\$6,382	\$10,157		\$5,053	\$16,539
Olney Sandy Spring Road .....	(\$2,093)	\$0	(\$1,042)		(\$3,135)	(\$1,042)
King Farm Village .....	\$692	(\$72)	(\$168)		\$452	(\$240)
Paint Branch .....	\$16,373	(\$10,368)	\$551		\$6,556	(\$9,817)
Southbridge .....	\$21,933	(\$344)	(\$2,600)		\$18,990	(\$2,943)
State Rental Combined .....	(\$75,452)	\$35,594	(\$39,731)		(\$79,589)	(\$4,137)
<b>Subtotal</b>	<b>(\$211,575)</b>	<b>\$803,937</b>	<b>(\$684,973)</b>		<b>(\$92,611)</b>	<b>\$118,964</b>
<b>TOTAL ALL PROPERTIES</b>	<b>(\$623,341)</b>	<b>\$1,597,216</b>	<b>(\$145,766)</b>		<b>\$828,111</b>	<b>\$1,451,452</b>

## FY 21 First Quarter Operating Budget to Actual Comparison

For HUD Funded Programs

	(3 Months) Budget	(3 Months) Actual	Variance
<b>Public Housing Rental</b>			
Revenue	\$0	\$17	\$17
Expenses	\$0	\$2,740	(\$2,740)
<b>Net Income</b>	<b>\$0</b>	<b>(\$2,723)</b>	<b>(\$2,723)</b>
<b>Housing Choice Voucher Program</b>			
HAP revenue	\$25,223,909	\$23,223,456	(\$2,000,453)
HAP payments	\$23,970,687	\$26,499,603	\$2,528,916
<b>Net HAP</b>	<b>\$1,253,222</b>	<b>(\$3,276,147)</b>	<b>(\$4,529,369)</b>
Admin.fees & other inc.	\$1,980,335	\$2,257,411	\$277,076
Admin. Expense	\$1,970,147	\$1,802,431	\$167,716
<b>Net Administrative</b>	<b>\$10,188</b>	<b>\$454,980</b>	<b>\$444,792</b>
<b>Net Income</b>	<b>\$1,263,410</b>	<b>(\$2,821,167)</b>	<b>(\$4,084,577)</b>

### FY 21 First Quarter Operating Budget to Actual Comparison

For Public Housing Rental Programs - Net Cash Flow

	(3 Months) Net Cash Flow		Variance		(3 Months) Net Cash Flow	
	Budget	Income	Expense	Actual	Variance	
Elizabeth House .....	\$0	\$0	\$0	\$0	\$0	\$0
Emory Grove .....	\$0	\$17	(\$2,740)	(\$2,724)	(\$2,724)	(\$2,724)
<b>TOTAL ALL PROPERTIES</b>	<b>\$0</b>	<b>\$17</b>	<b>(\$2,740)</b>	<b>(\$2,724)</b>	<b>(\$2,724)</b>	<b>(\$2,724)</b>

**FY 21 First Quarter Operating Budget to Actual Comparison**  
**For Capital Improvements**

	(12 Months) Budget	(3 Months) Actual	Variance
<b>General Fund</b>			
880 Bonifant .....	\$255,000	\$2,236	\$252,764
East Deer Park .....	\$195,000	\$6,293	\$188,707
Kensington Office .....	\$50,000	\$15,289	\$34,711
Information Technology .....	\$532,440	\$131,713	\$400,727
<b>Subtotal</b>	<b>\$1,032,440</b>	<b>\$155,531</b>	<b>\$876,909</b>
<b>Opportunity Housing</b>			
Alexander House Dev Corp .....	\$41,570	\$3,763	\$37,807
Avondale Apartments .....	\$27,900	\$1,030	\$26,870
The Barclay Dev Corp .....	\$83,900	\$44,258	\$39,642
Barclay Affordable .....	\$71,640	\$5,214	\$66,426
Brookside Glen (The Glen) .....	\$57,000	\$33,541	\$23,459
Camp Hill Square .....	\$54,400	\$16,603	\$37,797
CDBG Units .....	\$500	\$0	\$500
Chelsea Towers .....	\$15,550	\$0	\$15,550
Cider Mill Apartments .....	\$794,092	\$96,227	\$697,865
Dale Drive .....	\$8,949	\$0	\$8,949
Diamond Square .....	\$342,180	\$56,000	\$286,180
Fairfax Court .....	\$56,800	\$7,915	\$48,885
Georgian Court Affordable .....	\$3,505	\$4,044	(\$539)
Glenmont Crossing Dev Corp .....	\$485,500	\$45,027	\$440,473
Glenmont Westerly Dev Corp .....	\$235,400	\$19,570	\$215,830
Holiday Park Interim RAD .....	\$27,500	\$0	\$27,500
Jubilee Hermitage .....	\$500	\$0	\$500
Jubilee Woodedge .....	\$500	\$0	\$500
Ken Gar Dev Corp .....	\$6,500	\$0	\$6,500
Magruder's Discovery Dev Corp .....	\$68,630	\$11,500	\$57,130
Manchester Manor .....	\$22,332	\$1,812	\$20,520
Manor at Cloppers Mill .....	\$66,017	\$20,581	\$45,436
Manor at Colesville .....	\$136,726	\$17,888	\$118,838
Manor at Fair Hill Farm .....	\$89,579	\$24,991	\$64,588
McHome .....	\$100,000	\$2,810	\$97,190
McKendree .....	\$14,650	\$16,448	(\$1,798)
MetroPointe Dev Corp .....	\$267,290	\$12,509	\$254,781
The Metropolitan Dev Corp .....	\$455,034	\$60,375	\$394,659
Metropolitan Affordable .....	\$226,586	\$27,528	\$199,058
Montgomery Arms Dev Corp .....	\$113,726	\$5,210	\$108,516
MHLP VII .....	\$22,000	\$253	\$21,747
MHLP VIII .....	\$44,500	\$15,475	\$29,025
MHLP IX - Pond Ridge .....	\$69,516	\$11,381	\$58,135
MHLP IX - Scattered Sites .....	\$41,000	\$8,671	\$32,329
MHLP X .....	\$70,036	\$24,147	\$45,889
MPDU 2007 Phase II .....	\$4,000	\$0	\$4,000
MPDU I (64) .....	\$57,355	\$9,515	\$47,840
TPM - MPDU II (59) Dev Corp .....	\$62,024	\$15,384	\$46,640
Oaks at Four Corners Dev Corp .....	\$189,812	\$11,949	\$177,863
NCI Units .....	\$2,000	\$500	\$1,500
NSP Units .....	\$2,000	\$116	\$1,884
Paddington Square Dev Corp .....	\$108,880	\$31,424	\$77,456
Paint Branch .....	\$5,900	\$0	\$5,900
Parkway Woods Dev Corp .....	\$45,040	\$295	\$44,745
Pooks Hill High-Rise Dev Corp .....	\$197,200	\$2,736	\$194,464
Pooks Hill Mid-Rise .....	\$66,100	\$2,976	\$63,124
Sandy Spring Meadow Dev Corp .....	\$21,500	\$4,950	\$16,550
Scattered Site One Dev Corp .....	\$63,000	\$76,014	(\$13,014)
Scattered Site Two Dev Corp .....	\$40,204	\$16,710	\$23,494
Seneca Ridge Dev Corp .....	\$33,345	\$8,836	\$24,509
Shady Grove Apts .....	\$107,105	\$8,944	\$98,161
Sligo MPDU III Dev Corp .....	\$22,492	\$6,555	\$15,937
Southbridge .....	\$25,904	\$1,781	\$24,123
State Rental Combined .....	\$177,996	\$29,124	\$148,872
Stewartown Affordable .....	\$13,824	\$8,687	\$5,137
Strathmore Court .....	\$246,170	\$63,487	\$182,683
Strathmore Court Affordable .....	\$68,455	\$6,825	\$61,630
Towne Centre Place Dev Corp .....	\$27,060	\$0	\$27,060
TPP LLC Pomander Court .....	\$16,796	\$0	\$16,796
TPP LLC Timberlawn .....	\$118,943	\$60,120	\$58,823
VPC One Dev Corp .....	\$103,512	\$33,388	\$70,124
VPC Two Dev Corp .....	\$71,860	\$46,019	\$25,841
Washington Square Dev Corp .....	\$18,500	\$11,889	\$6,611
Westwood Tower .....	\$333,720	\$7,568	\$326,152
The Willows .....	\$233,621	\$12,768	\$220,853
<b>Subtotal</b>	<b>\$6,617,726</b>	<b>\$1,073,331</b>	<b>\$5,544,395</b>
<b>TOTAL</b>	<b>\$7,650,166</b>	<b>\$1,228,862</b>	<b>\$6,421,304</b>

# MEMORANDUM

**TO:** Budget, Finance and Audit Committee

**VIA:** Stacy L. Spann, Executive Director

**FROM:** Staff: Cornelia Kent                      Division: Finance    Ext. 9754  
                 Eugenia Pascual                      Finance    Ext. 9478  
                 Francisco Vega                      Finance    Ext. 4873  
                 Claudia Wilson                      Finance    Ext. 9474  
                 Niketa Patel                      Finance    Ext. 9584  
                 Nilou Razeghi                      Finance    Ext. 9494

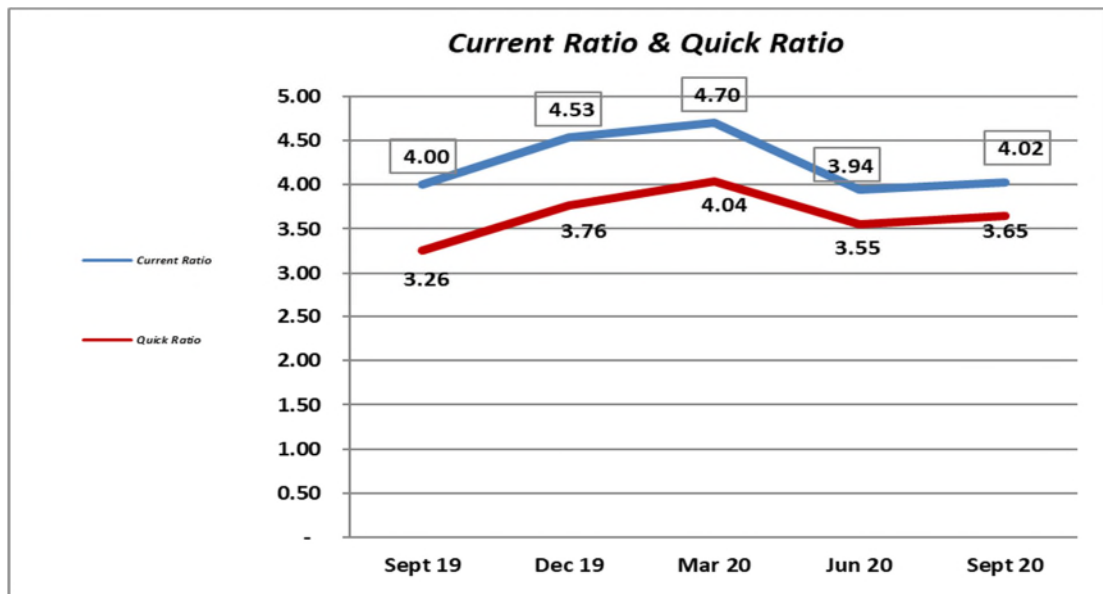
**RE:** Un-audited Financial Statements for the First Quarter Ended September 30, 2020

**DATE:** December 15, 2020

Attached, please find the un-audited consolidated financial statements for the Housing Opportunities Commission (HOC) for the first quarter ended September 30, 2020.

## **Financial Highlights**

- The Commission’s net position increased by \$8.9 million or about 4.15% as a net result of the \$14.7 million capital contributions from the Bauer Park Apartments closing partially reduced by the first quarter \$5.8 million net loss.
- The Commission’s current ratio (ratio of current assets to current liabilities) increased from 3.94 in June 2020 to 4.02 in September 2020. The quick ratio (the ratio of current assets that can be converted to cash within 90 days to current liabilities) also increased from 3.55 in June 2020 to 3.65 in September 2020. The improvement in this period’s indices is mainly attributed to a significant increase in cash and cash equivalents.



- The Commission’s total assets excluding the deferred outflows of resources increased by \$31.8 million or 2.10% since June 30, 2020. This is largely due to an increase in mortgage and construction loans receivable and unrestricted cash and cash equivalents, partially offset by a decrease in capital assets and long term investments.
- The increase in mortgage and construction loans receivable is largely due to a tax-exempt mortgage loan, Seller Note and Seller Sponsor loan to Bauer Park Apartments LP, in connection with the acquisition, renovation and lease up of Bauer Park Apartments. This increase is partially offset by the repayment of the 900 Thayer LP draws from PNC Bank Real Estate Line of Credit (RELOC) using the Federal Financing Bank (“FFB”) loan proceeds and the LIHTC investor equity. Furthermore, the Single Family Bond Fund also registered a decrease in single-family mortgage loans receivable due to amortizations.
- The increase in the unrestricted cash and cash equivalents is primarily attributed to the receipt of the settlement proceeds from Bauer Park Apartments and 900 Thayer (“Fenton Silver Spring”). The Single Family Bond Fund and the Multifamily Bond Fund likewise remitted portion of the FY21 operating budget contribution to the General Fund. Some of the Opportunity Housing properties likewise registered an increase in the operating cash.
- The decrease in restricted cash, cash equivalents and investments is primarily due to the decrease in the Single Family Bond Fund long-term investments in mortgage-backed securities. This is partially offset by an increase in the Multifamily Bond Fund restricted cash and cash equivalents, attributed to the issuance of the 2020 Series A bonds for Bauer Park apartments acquisition and renovation.
- The decrease in capital assets is mainly due to normal depreciation of assets.
- The Single Family Bond Fund redeemed bonds totaling \$10.1 million through September 30, 2020. This included \$7.1 million from the 1979 Indenture, \$1.8 million from the 2009 Indenture, and \$1.2 million under the 2019 Indenture.
- The Multifamily Bond Fund issued 2020 Series-A for \$25.7 million fund the mortgage loan for the Bauer Park Apartments transactions and 2020 Series BC for \$41.7 million to refund four existing bonds. The Multifamily Bond Fund redeemed and retired bonds for \$31.2 million from the Multifamily Housing Development Bonds (1996 Indenture), \$15.4 million under Multiple Purpose Bonds (2002 Indenture), \$0.5 million under a stand-alone bond (1998 Issue), \$0.3 million under the Multifamily Housing Revenue Bonds (1984 Indenture) and \$0.1 million from the Multifamily Housing Bonds (2009 Indenture).



- The amount of U.S. Department of Housing and Urban Development (HUD) Housing Choice Voucher Program, Housing Assistance Revenue received by the Commission decreased by 5.90% from \$28 million in FY'20 to \$26.4 million in FY'21.

**Overall Agency Net Income (Loss)**

HOC has a net income of \$8.9 million as of the first quarter-ended September 30, 2020 compared to net income of \$2.1 million for the same period ending September 30, 2019. However, after adjusting the net income (loss) for the recording of capital contributions under the Opportunity Housing Fund, unrealized (gain)/loss on investments in the Single Family and the Multifamily Bond Funds, HOC ended the period with a net loss of \$4.6 million as compared to a net loss of \$430,185 for the same period ending September 30, 2020.

	<u>FY 2021</u>	<u>FY 2020</u>
Net Income (Loss)	\$ 8,919,795	\$ 2,128,113
Less:		
Capital Contributions	(14,681,926)	-
Unrealized (Gain)/Loss on Investments	1,125,152	(1,679,347)
Gain/(Loss) on sale of assets-Non-operating	-	(878,951)
Adjusted Net Income (Loss)	<u>\$ (4,636,979)</u>	<u>\$ (430,185)</u>
Amount of Increase (Decrease)	\$ (4,206,794)	

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 \$4.7 million as of the first quarter ending September 30, 2020 are as follows:

	<u>FY 2021</u>	<u>FY 2020</u>	<u>Variance</u>
	<u>(in millions)</u>		
Housing Assistance Payments (HAP) Income	\$ 26.4	\$ 28.1	\$ (1.7)
Other Federal/State & County Grants	3.6	4.3	(0.7)
Investment Income	1.6	1.8	(0.2)
Interest on Mortgage and Construction			
Loans Receivable Income	1.5	2.1	(0.6)
Dwelling Rental Income	24.3	23.6	0.7
HAP Expense	(30.2)	(27.3)	(2.9)
Administration Expense	(10.0)	(11.4)	1.4
Maintenance Expense	(6.0)	(6.3)	0.3
Utilities Expense	(1.9)	(1.6)	(0.2)
Fringe Benefits	(2.7)	(3.6)	0.9
Interest Expense	(5.8)	(6.0)	0.2
Depreciation and amortization	(5.2)	(4.5)	(0.6)
Other Income Net of Other Expenses	(0.3)	0.4	(0.7)
<b>Adjusted Net Income (Loss)</b>	<b>\$ (4.7)</b>	<b>\$ (0.5)</b>	<b>\$ (4.2)</b>

The decrease in Housing Assistance Payments (HAP) – revenue is mainly attributed to the transition of the excess HAP revenue as of December 31, 2019 to HUD-held funds, through an offset against the July 2020 HAP funding. This decrease is partially offset by an increase in the 2017 Mainstream Program and the Incoming Portable vouchers. The increase in HAP expense is largely due to new programs and increased voucher utilization. HOC request HUD held funds as needed to off-set the increase in housing choice voucher payments.

The decrease in the Other Federal/State and County Grants is attributed primarily to the County Main Grants partially offset by an increase in the County Capital Improvement Programs (CIP) for Public Housing and the Ambassador demolition.

The decrease in investment income is driven by The Single Family Bond Fund due to a decrease in MBS purchases (mortgage-backed securities) and lower interest rates.

The decrease in interest on mortgage and construction loans receivable is mainly due to a decrease in the average mortgage loan receivable balance in both the Single Family Bond Fund and the Multifamily Bond Fund.

The increase in dwelling rental income was due primarily to the addition of the five former tax credit properties (Strathmore Court LP, Metropolitan of Bethesda LP, Georgian Court Silver

Spring LP, Barclay One Associates LP and MV Affordable Housing LP) to the Opportunity Housing Fund in November of 2019. The FY'21 actuals through September 30th only reflect allowances established for late payment receivables over 90 days. At September 30th, the tenant receivable balance has increased almost \$700,000 from July 30. Staff does anticipate that a portion of this amount will result in additional allowances and the potential for additional allowances to be set up in subsequent months to reflect the continuation of non-payments during the pandemic.

The decrease in administrative expense is driven by a decrease in all of the sub-funds except the Multifamily Bond Fund, which registered a minimal increase. The decrease in this reporting period is due primarily to lower operating professional services and temporary agency services within the General Fund, underwriter's fee expense within the Single Family Bond Fund, operating services contracts within the Public Fund and rental license fees and temporary agency/pool services within the Opportunity Housing Fund.

The decrease in maintenance is mainly attributed to a decrease within the General Fund due to plumbing and miscellaneous contracts last year at the Bonifant office, partially reduced by higher cost related to COVID-19. The Opportunity Housing properties maintenance expenses also decreased such as roofing/gutter, paint/wall covering and flooring/carpet, partially offset by an increase in contract maintenance/janitorial salary.

The increase in Utilities is largely driven by electricity and trash collection expenses at the Cider Mill Apartments.

The decrease in fringe benefits is mainly due to a decrease in pension expense, other post-employment benefits and retired employee benefits partially offset by an increase in contract managed benefits.

The decrease in interest expense is primarily attributed to a decrease in the Single Family Bond Fund outstanding bonds payable because of early and scheduled redemptions.

The increase in other expense is largely due to COVID 19 expenses within the General Fund and various Opportunity Housing Properties. In addition, an increase in contributions to the reserve for FHA risk sharing, as well as the five transferred properties contributed to the increase.

## Adjusted Operating Revenue

The revenues from operations, when adjusted for HAP income and unrealized (gain)/loss on investments, decreased by \$496,484 as of the first quarter ended September 30, 2020 when compared to the same period last fiscal year.

	<u>FY 2021</u>	<u>FY 2020</u>
Total Operating Revenue	\$ 60,084,584	\$ 65,040,972
Less:		
Housing Assistance Revenue	(26,404,919)	(28,060,324)
Unrealized (Gain)/Loss on Investments	1,125,152	(1,679,347)
Adjusted Total Operating Revenue	<u>\$ 34,804,817</u>	<u>\$ 35,301,301</u>
Amount of Increase (Decrease)	\$ (496,484)	

The decrease in the adjusted total operating revenue is mainly due to a decrease in interest on mortgage and construction loans receivable, county and other federal grants as well as investment income. This is partially offset by an increase in dwelling rental revenue, management fees and other income.

## Adjusted Operating Expenses

The operating expenses, when adjusted for HAP expense decrease by \$1.3 million as of the first quarter ended September 30, 2020 when compared to the same period last fiscal year.

	<u>FY 2021</u>	<u>FY 2020</u>
Total Operating Expenses	\$ 63,952,520	\$ 62,331,642
Less:		
Housing Assistance Payments (HAP)	(30,203,777)	(27,314,343)
Adjusted Total Operating Expenses	<u>\$ 33,748,743</u>	<u>\$ 35,017,299</u>
Amount of Increase (Decrease)	\$ (1,268,556)	

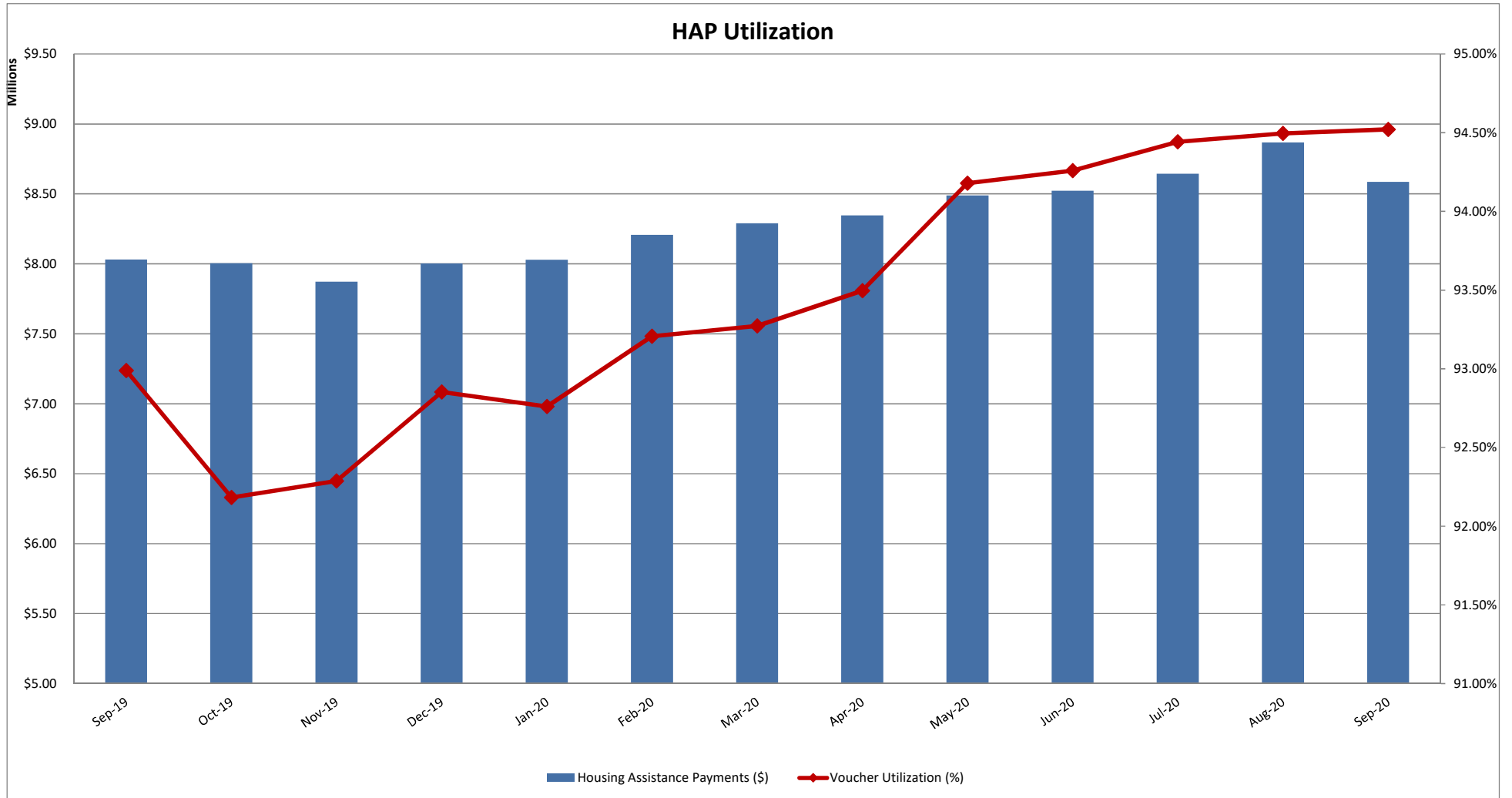
The decrease in administration expense, fringe benefits, maintenance expense and interest expense mainly accounted for the lower operating expense in FY'21. Depreciation and amortization, utilities and other expenses reflected an increase compared to last year.

## Non-Operating Revenues (Expenses)

Non-operating expenses net of non-operating revenue totaled \$1.9 million as of the first quarter ended September 30, 2020 as compared to net non-operating expenses of \$605,899 for the same period last year. If we back out the gain on sale of the Chevy Chase Lake townhouse units in FY20, the net non-operating expense is \$1.9 million in FY'21 as compared to a net non-operating expense of \$1.5 million in FY'20. This is mainly attributed to an increase in interest expense.

	<u>FY 2021</u>	<u>FY 2020</u>
Total Non-Operating Revenues (Expenses)	\$ (1,894,195)	\$ (605,899)
Less:		
Gain/(Loss) on sale of assets-Non-operating	-	(878,951)
Adjusted Total Non-Operating Revenues (Expenses)	<u>\$ (1,894,195)</u>	<u>\$ (1,484,850)</u>
Amount of Increase (Decrease)	\$ (409,345)	

	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20
Housing Assistance Payments (\$)	\$8,029,811	\$8,004,027	\$7,871,395	\$8,002,972	\$8,028,387	\$8,207,411	\$8,289,268	\$8,346,604	\$8,489,206	\$8,522,788	\$8,643,564	\$8,866,864	\$8,585,065
Voucher Utilization (%)	92.99%	92.18%	92.29%	92.85%	92.76%	93.21%	93.27%	93.50%	94.18%	94.26%	94.44%	94.49%	94.52%
UNITS under LEASE	7,043	7,016	7,024	7,067	7,060	7,094	7,099	7,116	7,168	7,174	7,188	7,192	7,194
HUD Authorized BASE LINE	7,574	7,611	7,611	7,611	7,611	7,611	7,611	7,611	7,611	7,611	7,611	7,611	7,611



**Housing Opportunities Commission of Montgomery County, Maryland**  
**Combined Statements of Net Position**  
**As of September 30, 2020 and June 30, 2020**

	Note Num.	FY21	FY20	Dollar Variance	Percentage Variance
<b>Assets and Deferred Outflows</b>					
<b>Current Assets</b>					
<b>Unrestricted:</b>					
Cash and cash equivalents	-1.a.-	\$ 100,010,511	\$ 83,502,630	\$ 16,507,881	19.77%
Advances to component units	-1.b.-	8,445,056	8,232,446	212,610	2.58%
Accounts receivable and other assets	-1.c.-	21,017,297	19,637,938	1,379,359	7.02%
Accrued interest receivable	-1.d.-	11,102,492	10,671,846	430,646	4.04%
Mortgage and construction loans receivable - current	-1.e.-	5,126,770	7,526,532	(2,399,762)	(31.88%)
<b>Total unrestricted current assets</b>		<b>145,702,126</b>	<b>129,571,392</b>	<b>16,130,734</b>	<b>12.45%</b>
<b>Restricted cash and cash equivalents and investments:</b>					
Restricted cash and cash equivalents	-1.f.-	134,930,276	108,382,929	26,547,347	24.49%
Restricted short-term investments	-1.g.-	12,749,555	9,892,645	2,856,910	28.88%
Cash for current bonds payable	-1.h.-	25,957,419	34,305,709	(8,348,290)	(24.33%)
Customer deposits		4,455,492	4,436,092	19,400	0.44%
<b>Total restricted cash and cash equivalents and investments</b>		<b>178,092,742</b>	<b>157,017,375</b>	<b>21,075,367</b>	<b>13.42%</b>
<b>Total current assets</b>		<b>323,794,868</b>	<b>286,588,767</b>	<b>37,206,101</b>	<b>12.98%</b>
<b>Noncurrent Assets</b>					
Restricted long-term investments	-1.i.-	176,981,011	200,684,143	(23,703,132)	(11.81%)
Mortgage and construction loans receivable	-1.e.-	403,722,528	382,084,627	21,637,901	5.66%
Capital assets, net of depreciation	-1.j.-	630,880,160	634,700,195	(3,820,035)	(0.60%)
Investment in Real Estate Partnerships		13,820,802	13,320,803	499,999	3.75%
<b>Total noncurrent assets</b>		<b>1,225,404,501</b>	<b>1,230,789,768</b>	<b>(5,385,266)</b>	<b>(0.44%)</b>
<b>Total Assets</b>		<b>1,549,199,369</b>	<b>1,517,378,534</b>	<b>31,820,835</b>	<b>2.10%</b>
<b>Deferred Outflows of Resources</b>					
Derivatives	-1.k.-	21,902,486	22,534,773	(632,287)	(2.81%)
Fair value of hedging derivatives	-1.k.-	13,607,607	15,099,583	(1,491,976)	(9.88%)
Employer -Related Pension Activities	-1.k.-	22,499,379	22,499,379	-	0.00%
Employer -Related OPEB Activities	-1.k.-	9,746,187	9,746,187	-	0.00%
<b>Total Assets and Deferred Outflows</b>		<b>\$ 1,616,955,028</b>	<b>\$ 1,587,258,457</b>	<b>\$ 29,696,572</b>	<b>1.87%</b>
<b>Liabilities and Net Position</b>					
<b>Current Liabilities</b>					
Accounts payable and accrued liabilities	-1.l.-	\$ 37,294,001	\$ 20,266,171	\$ 17,027,831	84.02%
Accrued interest payable		9,630,955	9,453,773	177,182	1.87%
Loans payable to Montgomery County - current		378,317	378,006	311	0.08%
Mortgage notes and loans payable - current	-1.m.-	5,224,378	5,548,014	(323,635)	(5.83%)
<b>Total current unrestricted liabilities</b>		<b>52,527,652</b>	<b>35,645,964</b>	<b>16,881,688</b>	<b>47.36%</b>
<b>Current Liabilities payable from restricted assets:</b>					
Customer deposit payable		3,664,644	3,606,252	58,392	1.62%
Accrued interest payable	-1.n.-	4,170,562	8,970,621	(4,800,059)	(53.51%)
Bonds payable - current	-1.o.-	20,359,148	25,335,088	(4,975,940)	(19.64%)
<b>Total current liabilities payable from restricted assets</b>		<b>28,194,354</b>	<b>37,911,961</b>	<b>(9,717,607)</b>	<b>(25.63%)</b>
<b>Total current liabilities</b>		<b>80,722,006</b>	<b>73,557,925</b>	<b>7,164,081</b>	<b>9.74%</b>
<b>Noncurrent Liabilities</b>					
Bonds payable	-1.o.-	529,827,059	515,028,476	14,798,583	2.87%
Mortgage notes and loans payable	-1.m.-	541,660,636	546,675,559	(5,014,922)	(0.92%)
Loans payable to Montgomery County		107,346,890	104,827,616	2,519,274	2.40%
Deferred revenue	-1.p.-	24,624,028	21,944,106	2,679,922	12.21%
Escrow and other deposits		16,562,599	16,440,785	121,815	0.74%
Net Pension liability		6,318,486	6,318,486	-	0.00%
Net OPEB liability		19,797,919	19,797,919	-	0.00%
Derivative investment - hedging		13,607,607	15,099,583	(1,491,976)	(9.88%)
<b>Total noncurrent liabilities</b>		<b>1,259,745,225</b>	<b>1,246,132,530</b>	<b>13,612,695</b>	<b>1.09%</b>
<b>Total Liabilities</b>		<b>1,340,467,231</b>	<b>1,319,690,455</b>	<b>20,776,776</b>	<b>1.57%</b>
<b>Deferred Inflows of Resources</b>					
Unamortized Pension Net Difference	-1.k.-	33,218,096	33,218,096	0	0.00%
Deferred Inflows - OPEB	-1.k.-	19,459,021	19,459,021	-	0.00%
<b>Total Deferred Inflows of Resources</b>		<b>52,677,117</b>	<b>52,677,117</b>	<b>0</b>	<b>0.00%</b>
<b>Net Position</b>					
Net investment in capital assets		(111,409,137)	(108,608,231)	(2,800,907)	2.58%
Restricted		120,975,066	125,209,337	(4,234,271)	(3.38%)
Unrestricted		214,244,752	198,289,779	15,954,973	8.05%
<b>Total Net Position</b>		<b>223,810,680</b>	<b>214,890,885</b>	<b>8,919,795</b>	<b>4.15%</b>
<b>Total Liabilities and Net Position</b>		<b>\$ 1,616,955,028</b>	<b>\$ 1,587,258,457</b>	<b>\$ 29,696,572</b>	<b>1.87%</b>

**Housing Opportunities Commission of Montgomery County, Maryland**

Combined Statements of Revenues and Expenses  
As of September 30, 2020 and September 30, 2019

	Note Num.	FY21	FY20	Dollar Variance	Percentage Variance
<b>Operating Revenues</b>					
Dwelling rental	-1.aa.-	\$ 24,250,246	\$ 23,566,638	\$ 683,607	2.90%
Investment income	-1.bb.-	1,587,936	1,785,511	(197,575)	(11.07%)
Unrealized gains (losses) on investment	-1.cc.-	(1,125,152)	1,679,347	(2,804,498)	(167.00%)
Interest on mortgage and construction loans receivable	-1.dd.-	1,534,885	2,139,349	(604,464)	(28.25%)
Management fees and other income	-1.ee.-	1,552,559	1,364,279	188,279	13.80%
U.S. Department of Housing and Urban Development grants:					
Housing Assistance Payments (HAP)	-1.ff.-	26,404,919	28,060,324	(1,655,405)	(5.90%)
HAP administrative fees		2,246,549	2,180,255	66,294	3.04%
Other grants		1,362,868	1,466,113	(103,245)	(7.04%)
State and County grants	-1.gg.-	2,269,775	2,799,156	(529,381)	(18.91%)
<b>Total operating revenues</b>		<b>60,084,584</b>	<b>65,040,972</b>	<b>(4,956,388)</b>	<b>(7.62%)</b>
<b>Operating Expenses</b>					
Housing Assistance Payments (HAP)	-1.ff.-	30,203,777	27,314,343	(2,889,433)	(10.58%)
Administration	-1.hh.-	10,039,512	11,407,312	1,367,800	11.99%
Maintenance	-1.ii.-	5,975,269	6,272,107	296,837	4.73%
Depreciation and amortization		5,165,021	4,539,487	(625,534)	(13.78%)
Utilities	-1.jj.-	1,859,798	1,579,084	(280,714)	(17.78%)
Fringe benefits	-1.kk.-	2,704,414	3,581,889	877,474	24.50%
Interest expense	-1.ll.-	5,759,079	5,953,189	194,109	3.26%
Other expense	-1.mm.-	2,245,649	1,684,232	(561,418)	(33.33%)
<b>Total operating expenses</b>		<b>63,952,520</b>	<b>62,331,642</b>	<b>(1,620,878)</b>	<b>(2.60%)</b>
<b>Operating income (loss)</b>		<b>(3,867,936)</b>	<b>2,709,329</b>	<b>(6,577,265)</b>	<b>(242.76%)</b>
<b>Nonoperating Revenues (Expenses)</b>					
Investment Income		177,589	481,762	(304,172)	(63.14%)
Interest on mortgage and construction loans receivable		1,322,788	360,924	961,864	266.50%
Interest expense		(3,394,572)	(2,370,441)	(1,024,132)	43.20%
Other grants		-	42,904	(42,904)	(100.00%)
Gain/(Loss) on Sale of Assets		-	878,951	(878,951)	(100.00%)
<b>Total nonoperating revenues (expense)</b>		<b>(1,894,195)</b>	<b>(605,899)</b>	<b>(1,288,296)</b>	<b>212.63%</b>
<b>Income (loss) before capital contributions</b>		<b>(5,762,131)</b>	<b>2,103,430</b>	<b>(7,865,561)</b>	<b>(373.94%)</b>
Transfer from Discrete Component Units		-	24,683	(24,683)	(100.00%)
Capital contributions		14,681,926	-	14,681,926	
<b>Net income (loss)</b>		<b>8,919,795</b>	<b>2,128,113</b>	<b>6,791,682</b>	<b>319.14%</b>



**Housing Opportunities Commission of Montgomery County**  
**Combined Statement of Net Position**  
As of September 30, 2020

Assets	General Fund	Opportunity Housing Fund	Public Fund	Single Family Fund	Multi Family Fund	Elimination	FY 2021 Total Funds with Elimination	FY 2020 Total Funds with Elimination
<b>Current Assets</b>								
Unrestricted:								
Cash and Cash Equivalents	\$ 36,988,334	\$ 54,093,961	\$ 6,931,238	\$ 323,805	\$ 1,673,172	\$ -	\$ 100,010,511	\$ 83,502,630
Interfund Receivable	-	25,181,018	1,764,295	400,432	-	(27,345,745)	-	-
Advances to Component Units	7,506,541	938,515	-	-	-	-	8,445,056	8,232,446
Accounts Receivable and Other Assets	5,342,896	9,976,561	5,490,424	207,416	-	-	21,017,297	19,637,938
Accrued Interest Receivable	6,464,189	3,404,126	-	741,248	1,489,304	(996,375)	11,102,492	10,671,846
Mortgage & Construction Loans Receivable, Current	4,405,944	155,182	-	1,121,229	9,723,409	(10,278,993)	5,126,770	7,526,532
Total Unrestricted Current Assets	<u>60,707,904</u>	<u>93,749,363</u>	<u>14,185,957</u>	<u>2,794,130</u>	<u>12,885,885</u>	<u>(38,621,114)</u>	<u>145,702,126</u>	<u>129,571,392</u>
Restricted Cash and Cash Equivalents and Investments:								
Restricted Cash and Cash Equivalents	1,379,567	47,841,536	791,553	51,588,184	33,329,436	-	134,930,276	108,382,929
Restricted Short-Term Investments	-	-	-	12,749,555	-	-	12,749,555	9,892,645
Restricted for Current Bonds Payable	-	-	-	12,400,418	13,557,001	-	25,957,419	34,305,709
Restricted for Customer Deposits	-	3,201,195	1,254,297	-	-	-	4,455,492	4,436,092
Total Restricted Cash and Cash Equivalents for Investments	<u>1,379,567</u>	<u>51,042,731</u>	<u>2,045,850</u>	<u>76,738,156</u>	<u>46,886,437</u>	<u>-</u>	<u>178,092,742</u>	<u>157,017,375</u>
Total Current Assets	<u>62,087,472</u>	<u>144,792,095</u>	<u>16,231,807</u>	<u>79,532,286</u>	<u>59,772,322</u>	<u>(38,621,114)</u>	<u>323,794,868</u>	<u>286,588,767</u>
<b>Noncurrent assets:</b>								
Restricted Long - Term Investments	-	-	-	115,460,549	61,520,463	-	176,981,011	200,684,143
Mortgage & Construction Loans Receivable, Net of Current Portion	461,082,361	107,678,169	2,005,615	57,332,008	269,792,623	(494,168,247)	403,722,528	382,084,627
Capital Assets, Net of Depreciation	10,090,327	612,366,857	8,422,976	-	-	-	630,880,160	634,700,195
Investment in Component Units	2,073,221	11,747,582	-	-	-	-	13,820,802	13,320,803
Total Noncurrent Assets	<u>473,245,909</u>	<u>731,792,607</u>	<u>10,428,590</u>	<u>172,792,557</u>	<u>331,313,085</u>	<u>(494,168,247)</u>	<u>1,225,404,501</u>	<u>1,230,789,768</u>
<b>Deferred Outflows of Resources</b>								
Derivatives	-	21,902,486	-	-	-	-	21,902,486	22,534,773
Fair Value of Hedging Derivatives	-	3,571,087	-	981,348	9,055,172	-	13,607,607	15,099,583
Employer -Related Pension Activities	11,530,901	2,437,452	8,531,026	-	-	-	22,499,379	22,499,379
Employer -Related OPEB Activities	6,740,338	609,588	2,396,261	-	-	-	9,746,187	9,746,187
Total Assets and Deferred Outflows	<u>553,604,619</u>	<u>905,105,315</u>	<u>37,587,685</u>	<u>253,306,191</u>	<u>400,140,579</u>	<u>(532,789,360)</u>	<u>1,616,955,028</u>	<u>1,587,258,457</u>

**Housing Opportunities Commission of Montgomery County**  
**Combined Statement of Net Position**  
As of September 30, 2020

Liabilities and Net Position	General Fund	Opportunity Housing Fund	Public Fund	Single Family Fund	Multi Family Fund	Elimination	FY 2021 Total Funds with Elimination	FY 2020 Total Funds with Elimination
<b>Liabilities</b>								
<b>Current Liabilities</b>								
Accounts Payable and Accrued Liabilities	9,099,891	12,156,410	1,526,719	623,587	13,887,395	-	37,294,001	20,266,171
Interfund Payable	27,872,649	-	-	-	(526,903)	(27,345,745)	-	-
Accrued Interest Payable	-	10,627,330	-	-	-	(996,375)	9,630,955	9,453,773
.Loans Payable to Montgomery County - Current	-	378,317	-	-	-	-	378,317	378,006
.Mortgage Notes and Loans Payable-Current	3,723,428	11,779,943	-	-	-	(10,278,993)	5,224,378	5,548,014
Derivative Investment - Hedging	-	-	-	-	-	-	-	-
Total Current Unrestricted Liabilities	<u>40,695,968</u>	<u>34,942,000</u>	<u>1,526,719</u>	<u>623,587</u>	<u>13,360,491</u>	<u>(38,621,114)</u>	<u>52,527,652</u>	<u>35,645,964</u>
Current Liabilities Payable from Restricted Assets:								
Customer Deposits Payable	-	2,832,793	831,850	-	-	-	3,664,644	3,606,252
.Accrued Interest Payable	-	-	-	1,427,709	2,742,853	-	4,170,562	8,970,621
Bonds Payable-Current	-	-	-	9,545,000	10,814,148	-	20,359,148	25,335,088
Total Current Liabilities Payable from Restricted Assets	<u>-</u>	<u>2,832,793</u>	<u>831,850</u>	<u>10,972,709</u>	<u>13,557,001</u>	<u>-</u>	<u>28,194,354</u>	<u>37,911,961</u>
<b>Total Current Liabilities</b>	<u>40,695,968</u>	<u>37,774,794</u>	<u>2,358,569</u>	<u>11,596,296</u>	<u>26,917,493</u>	<u>(38,621,114)</u>	<u>80,722,006</u>	<u>73,557,925</u>
<b>Non-Current Liabilities</b>								
Bonds Payable	-	-	-	202,013,590	327,813,468	-	529,827,059	515,028,476
Mortgage Notes and Loans payable	386,777,513	649,051,370	-	-	-	(494,168,247)	541,660,636	546,675,559
Loans payable to Montgomery County	26,267,224	81,079,666	-	-	-	-	107,346,890	104,827,616
Unearned Revenue	14,063,775	6,366,541	4,193,711.70	-	-	-	24,624,028	21,944,106
Escrow and Other Deposits	13,623,065	-	-	-	2,939,534	-	16,562,599	16,440,785
Net Pension liability	3,102,700	790,734	2,425,052	-	-	-	6,318,486	6,318,486
Net OPEB liability	9,189,871	1,171,712	9,436,335	-	-	-	19,797,919	19,797,919
Derivative Investment - Hedging	-	3,571,087	-	981,348	9,055,172	-	13,607,607	15,099,583
Total Noncurrent Liabilities	<u>453,024,149</u>	<u>742,031,111</u>	<u>16,055,099</u>	<u>202,994,938</u>	<u>339,808,175</u>	<u>(494,168,247)</u>	<u>1,259,745,225</u>	<u>1,246,132,530</u>
<b>Total Liabilities</b>	<u>493,720,117</u>	<u>779,805,904</u>	<u>18,413,669</u>	<u>214,591,235</u>	<u>366,725,667</u>	<u>(532,789,360)</u>	<u>1,340,467,231</u>	<u>1,319,690,455</u>
<b>Deferred Inflows of Resources</b>								
Unamortized Pension Net Difference	21,064,475	2,564,037	9,589,584	-	-	-	33,218,096	33,218,096
Deferred Inflows - OPEB	11,383,497	1,530,431	6,545,093	-	-	-	19,459,020	19,459,021
Total Deferred Inflows of Resources	<u>32,447,972</u>	<u>4,094,468</u>	<u>16,134,677</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,677,117</u>	<u>52,677,117</u>
<b>Net Position</b>								
Net investment in Capital assets	10,090,327	(129,922,440)	8,422,976	-	-	-	(111,409,137)	(108,608,231)
Amounts Restricted for:								
Debt Service	-	47,841,536	-	38,391,151	31,741,740	-	117,974,427	119,132,001
Customer deposits and other	-	368,402	1,214,000	-	-	-	1,582,402	5,097,932
Closing cost assistance program	1,418,237	-	-	-	-	-	1,418,237	979,404
Unrestricted (deficit)	15,927,966	202,917,444	(6,597,636)	323,805	1,673,172	-	214,244,752	198,289,779
Total net position	<u>27,436,530</u>	<u>121,204,943</u>	<u>3,039,339</u>	<u>38,714,956</u>	<u>33,414,912</u>	<u>-</u>	<u>223,810,680</u>	<u>214,890,885</u>
<b>Total Liabilities, Deferred inflows and Net Position</b>	<u>553,604,619</u>	<u>905,105,315</u>	<u>37,587,685</u>	<u>253,306,191</u>	<u>400,140,579</u>	<u>(532,789,360)</u>	<u>1,616,955,028</u>	<u>1,587,258,457</u>

## Housing Opportunities Commission of Montgomery County

### Combined Statement of Net Position

For the Three Months Ended September 30, 2020 (with comparative totals for the Three Months Ended September 30, 2019)

	<u>General Fund</u>	<u>Opportunity Housing Fund</u>	<u>Public Fund</u>	<u>Single Family Fund</u>	<u>Multi Family Fund</u>	<u>Elimination</u>	<u>FY 2021 Total Funds with Elimination</u>	<u>FY 2020 Total Funds with Elimination</u>
<b>Operating Revenues</b>								
Dwelling Rental	\$ 120	\$ 24,019,981	\$ 230,145	\$ -	\$ -	\$ -	\$ 24,250,246	\$ 23,566,638
Investment Income	-	-	-	1,126,533	461,403	-	1,587,936	1,785,511
Unrealized Gains (Losses) on Investments	-	-	-	(1,117,756)	(7,395)	-	(1,125,152)	1,679,347
Interest on Mortgage & Construction Loans Receivable	-	-	-	586,744	3,066,745	(2,118,604)	1,534,885	2,139,349
Management Fees and Other Income	3,077,908	409,120	30,085	-	-	(1,964,554)	1,552,559	1,364,279
U.S. Department of Housing and Urban Development Grants:								
Housing Assistance Payments (HAP)	-	-	26,404,919	-	-	-	26,404,919	28,060,324
HAP Administrative Fees	-	-	2,246,549	-	-	-	2,246,549	2,180,255
Other Grants	-	-	1,362,868	-	-	-	1,362,868	1,466,113
State and County Grants	-	-	2,269,775	-	-	-	2,269,775	2,799,156
<b>Total Operating Revenues</b>	<b>3,078,028</b>	<b>24,429,101</b>	<b>32,544,341</b>	<b>595,521</b>	<b>3,520,752</b>	<b>(4,083,159)</b>	<b>60,084,584</b>	<b>65,040,972</b>
<b>Operating Expenses</b>								
Housing Assistance Payments Administration	-	-	30,203,777	-	-	-	30,203,777	27,314,343
Administration	3,402,466	3,696,434	3,899,027	229,571	522,095	(1,710,082)	10,039,512	11,407,312
Maintenance	734,983	5,226,990	13,296	-	-	-	5,975,269	6,272,107
Depreciation and amortization	126,916	4,964,181	73,924	-	-	-	5,165,021	4,539,487
Utilities	38,683	1,734,420	86,695	-	-	-	1,859,798	1,579,084
Fringe Benefits	1,121,759	872,927	615,896	38,557	55,276	-	2,704,414	3,581,889
Interest expense	-	5,916,219	-	1,118,513	2,906,199	(4,181,852)	5,759,079	5,953,189
Other Expense	519,186	1,597,954	199,783	183,198	-	(254,473)	2,245,649	1,684,232
<b>Total operating expenses</b>	<b>5,943,993</b>	<b>24,009,125</b>	<b>35,092,399</b>	<b>1,569,839</b>	<b>3,483,570</b>	<b>(6,146,406)</b>	<b>63,952,520</b>	<b>62,331,642</b>
<b>Operating Income (loss)</b>	<b>(2,865,966)</b>	<b>419,976</b>	<b>(2,548,058)</b>	<b>(974,318)</b>	<b>37,182</b>	<b>2,063,247</b>	<b>(3,867,936)</b>	<b>2,709,330</b>
<b>Nonoperating Revenues (Expenses)</b>								
Investment Income	101,240	75,153	1,197	-	-	-	177,589	481,762
Interest on Mortgage and Construction Loans Receivable	3,202,912	183,123	-	-	-	(2,063,247)	1,322,788	360,924
Interest Expense	(2,762,285)	(632,287)	-	-	-	-	(3,394,572)	(2,370,441)
Other Grants	-	-	-	-	-	-	-	42,904
Gain/(Loss) on Sale of Assets	-	-	-	-	-	-	-	878,951
<b>Total nonoperating revenues (expenses)</b>	<b>541,866</b>	<b>(374,011)</b>	<b>1,197</b>	<b>-</b>	<b>-</b>	<b>(2,063,247)</b>	<b>(1,894,195)</b>	<b>(605,899)</b>
<b>Income (loss) before capital contributions and transfers</b>	<b>(2,324,100)</b>	<b>45,966</b>	<b>(2,546,861)</b>	<b>(974,318)</b>	<b>37,182</b>	<b>-</b>	<b>(5,762,131)</b>	<b>2,103,431</b>
Transfer To/(From) Discrete Component Units	-	-	-	-	-	-	-	24,683
Capital contributions/(distributions)	-	15,112,696	-	-	(430,770)	-	14,681,926	-
Operating transfers in (out)	(126,443)	126,443	-	-	-	-	-	-
<b>Change in Net Position</b>	<b>\$ (2,450,543)</b>	<b>15,285,105</b>	<b>\$ (2,546,861)</b>	<b>\$ (974,318)</b>	<b>\$ (393,588)</b>	<b>\$ -</b>	<b>\$ 8,919,795</b>	<b>\$ 2,128,114</b>

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**

(A Component Unit of Montgomery County, Maryland)

Notes to Financial Statements

September 30, 2020

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

	FY'21	FY'20	Dollar Variance	Percentage Variance
-1.a. - <b>Cash and cash equivalents</b>	<b>100,010,511</b>	<b>83,502,630</b>	<b>16,507,881</b>	<b>19.77%</b>
<p>The increase in cash and cash equivalents is primarily due to the receipt of the settlement proceeds from Bauer Park Apartments and 900 Thayer (“Fenton Silver Spring”) closing. The Single Family Bond Fund and the Multifamily Bond Fund operating budget contribution, as well as an increase in the Opportunity Housing properties operating cash also accounted for the increase in the total unrestricted cash.</p>				
- 1.b. - <b>Advances to Component Units</b>	<b>8,445,056</b>	<b>8,232,446</b>	<b>212,610</b>	<b>2.58%</b>
<p>The increase is primarily due to the timing of reimbursement of operating expenses of Arcola Towers LP and Waverly House LP to the General Fund.</p>				
- 1.c. - <b>Accounts receivable and other assets</b>	<b>21,017,297</b>	<b>19,637,938</b>	<b>1,379,359</b>	<b>7.02%</b>
<p>The increase in accounts receivable and other assets is primarily driven by an increase in the prepaid insurance within the General Fund, due to the payment of the Agency’s liability, property and workers compensation insurance contributions for FY21. The Public Fund also contributed to the increase in accounts receivables from incoming portables.</p>				
- 1.d. - <b>Accrued Interest receivable</b>	<b>11,102,492</b>	<b>10,671,846</b>	<b>430,646</b>	<b>4.04%</b>
<p>The increase in accrued interest receivable is mainly due to accrued interest on the seller notes from Arcola House RAD LP and Waverly House RAD LP as well as interest held by US Bank on the Federal Financing Bank loans of Alexander House, TPP-Timberlawn/Pomander, Glenmont properties, MV Gateway LLC (Cider Mill) and CCL Multifamily LLC (The Lindley).</p>				
- 1.e. - <b>Mort. &amp; const. loans receivable – current</b>	<b>5,126,770</b>	<b>7,526,532</b>	<b>(2,399,762)</b>	<b>(31.88%)</b>
- 1.e. - <b>Mort. &amp; const. loans receivable – non-current</b>	<b>403,722,528</b>	<b>382,084,627</b>	<b>21,637,901</b>	<b>5.66%</b>
<b>Total</b>	<b>408,849,298</b>	<b>389,611,159</b>	<b>19,238,139</b>	<b>4.94%</b>

The overall net increase in total mortgage and construction loans receivable is largely due to a tax-exempt mortgage loan, Seller Note and Seller Sponsor loan to Bauer Park Apartments LP, in connection with the acquisition, renovation and lease up of Bauer Park Apartments. This increase is partially offset by the repayment of the 900 Thayer LP draws from PNC Bank Real Estate Line of Credit (RELOC) using the Federal Financing Bank (“FFB”) loan proceeds and the LIHTC investor equity. Furthermore, the Single Family Bond Fund also registered a decrease in single-family mortgage loans receivable due to amortizations.

- 1.f. - <b>Restricted cash and cash equivalents</b>	<b>134,930,276</b>	<b>108,382,929</b>	<b>26,547,347</b>	<b>24.49%</b>
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The increase in restricted cash and cash equivalents is primarily due to an increase in the Multifamily Bond Fund and Single Family Bond Fund. The increase within the Multifamily Bond Fund is largely due to the issuance of 2020 Series A- bonds related to Bauer Park Apartments acquisition. The increase within the Single Family Bond Fund is due primarily to the funds received from mortgage-backed securities (MBS) closing and mortgage loan payoffs. The General Fund also increased due to additional funding for the Montgomery County Homeownership Assistance Fund (MCHAF).

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
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	FY'21	FY'20	Dollar Variance	Percentage Variance
- 1.g. - <b>Restricted short-term investments</b>	12,749,555	9,892,645	2,856,910	28.88%
The Single Family Bond Fund accounted for the increase in restricted short-term investments.				
- 1.h. - <b>Cash for current bonds payable</b>	25,957,419	34,305,709	(8,348,290)	(24.33%)
The decrease in Cash for current bonds payable is due to a decrease in current maturing bonds within the Multifamily Bond Fund and Single Family Bond Fund.				
-1.i.- <b>Restricted long-term investments</b>	176,981,011	200,684,143	(23,703,132)	(11.81%)
The decrease in restricted long-term investments is primarily due to the Single Family Bond Fund driven by scheduled payments and eighteen mortgage –backed securities (MBS) closings. The Multifamily Bond Fund also contributed to the decrease.				
-1.j.- <b>Capital assets, net of depreciation</b>	630,880,160	634,700,195	(3,820,035)	(0.60%)
The decrease in capital assets is primarily attributed to normal accumulated depreciation of assets.				
-1.k.- <b>Deferred outflows – Derivatives</b>	21,902,486	22,534,773	(632,287)	(2.81%)
-1.k.- <b>Deferred outflows – hedging derivatives</b>	13,607,607	15,099,583	(1,491,976)	(9.88%)
-1.k.- <b>Deferred outflows – Employer pension</b>	22,499,379	22,499,379	-	0.00%
-1.k.- <b>Deferred outflows – OPEB contribution</b>	<u>9,746,187</u>	<u>9,746,187</u>	-	<u>0.00%</u>
<b>Total</b>	<u>67,755,659</u>	<u>69,879,922</u>	<u>(2,124,263)</u>	<u>(3.04%)</u>

As of September 30, 2020, all of HOC’s interest rate swaps were deemed to be 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 \$981,348 in the Single Family Bond Fund, \$9,055,172 in the Multifamily Bond Fund and \$3,571,087 in the Opportunity Housing Fund (\$696,383 Upton II Construction Loan, \$2,874,704 Elizabeth House III).

The interest swaps on CCL Multifamily and Alexander House were terminated on September 1, 2019 which required HOC 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 loans with Federal Financing Bank. The unamortized balance of the swap termination payment is reported as deferred Outflows of resources as of September 30, 2020.

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

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	FY'21	FY'20	Dollar Variance	Percentage Variance
- 1.l. - Accounts payable and accrued liabilities	37,294,001	20,266,171	17,027,831	84.02%
<p>The increase in accounts payable and accrued liabilities is mainly due to an increase in the Multi Family Bond Fund due to bond proceeds not yet drawn for Bauer Park. The General Fund also increased due primarily to 900 Thayer LP closing proceeds held in transit in General Fund.</p>				
- 1.m. - Mortgage notes and loans payable-current	5,224,378	5,548,014	(323,635)	(5.83%)
- 1.m. - Mortgage notes and loans payable-noncurrent	<u>541,660,636</u>	<u>546,675,559</u>	<u>(5,014,922)</u>	<u>(0.92%)</u>
Totals	<u>546,885,014</u>	<u>552,223,573</u>	<u>(5,338,559)</u>	<u>(0.97%)</u>

The decrease in total mortgage notes and loans payable is due primarily to the repayment of loans from the PNC Bank RELOC for 900 Thayer LP, partially offset by a new FFB loan for 900 Thayer LP.

-1.n. - Accrued interest payable – restricted	4,170,562	8,970,621	(4,800,059)	(53.51%)
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The decrease in accrued interest payable - restricted is driven by the Multifamily and Single Family Bond Fund and are due to scheduled and early bond redemptions as well the normal bond amortization.

- 1.o.- Bonds payable - current	20,359,148	25,335,088	(4,975,940)	(19.64%)
- 1.o.- Bonds payable - noncurrent	<u>529,827,059</u>	<u>515,028,476</u>	<u>14,798,583</u>	<u>2.87%</u>
Totals	<u>550,186,207</u>	<u>540,363,564</u>	<u>9,822,643</u>	<u>1.82%</u>

The increase in the total outstanding bonds payable is a net result of the increase in the Multifamily Bond Fund and partially off-set by a decrease in the Single Family Bond Fund. The increase in the Multifamily Bond Fund is due to the issuance of 2020 Series A bonds for \$25.7 million for the acquisition and renovation of Bauer Park Apartments. Multifamily Housing Development Bonds 2020 Series B and C were also issued for \$41.7 million to refund 2007 Series A, 2007 series C-1 and 2010 Series A bonds under the 1996 Indenture, as well as 2002 Series A bonds under the Multiple Purpose Indenture.

This increase is partially offset by bond redemptions and scheduled amortization of \$31.2 million under the Multifamily Housing Development Bonds (1996 Indenture), \$15.4 million under Multiple Purpose Bonds (2002 Indenture), \$0.5 million under the Stand Alone Bond 1998 Issue, \$0.3 million under the Multifamily Housing Revenue Bonds (1984 Indenture) and \$0.1 million under the Multifamily Housing Bonds (2009 Indenture). The decrease in the Single Family Bond Fund is driven by scheduled and early bond redemptions of about \$7.1 million under the 1979 Indenture, \$1.8 million under the 2009 Indenture, and \$1.2 million under the 2019 Indenture.

- 1.k.- Deferred inflows - Employer pension	33,218,096	33,218,096	-	0.00%
- 1.k.- Deferred inflows – OPEB contribution	<u>19,459,021</u>	<u>19,459,021</u>	-	0.00%
Totals	<u>52,677,117</u>	<u>52,677,117</u>	-	0.00%

In accordance with GASB No. 68, Accounting and Financial Reporting for Pensions, and GASB No. 75, Accounting and Financial Reporting for Postemployment 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). HOC records the effects of GASB 68 and 75 in the fourth quarter of the fiscal year.

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	FY'21	FY'20	Dollar Variance	Percentage Variance
<b>-1.p. - Deferred revenue</b>	<b>24,624,028</b>	<b>21,944,106</b>	<b>2,679,922</b>	<b>12.21%</b>
The increase in deferred revenue is due to the receipt of additional HAP funding under the PHA CARES Act for the Housing Choice Voucher Program.				
<b>-1.aa. - Dwelling Rental</b>	<b>24,250,246</b>	<b>23,566,638</b>	<b>683,607</b>	<b>2.90%</b>
The increase in dwelling rental income was due primarily to the addition of the five former tax credit properties (Strathmore Court LP, Metropolitan of Bethesda LP, Georgian Court Silver Spring LP, Barclay One Associates LP and MV Affordable Housing LP) to the Opportunity Housing Fund in November of 2019. The FY'21 actuals through September 30th only reflect allowances established for late payment receivables over 90 days. At September 30th, the tenant receivable balance has increased almost \$700,000 from July 30. Staff does anticipate that a portion of this amount will result in additional allowances and the potential for additional allowances to be set up in subsequent months to reflect the continuation of non-payments during the pandemic.				
<b>-1.bb. - Investment Income</b>	<b>1,587,936</b>	<b>1,785,511</b>	<b>(197,575)</b>	<b>(11.07%)</b>
The decrease in investment income is driven by the Single Family Bond Fund due to a decrease in MBS purchases (mortgage-backed securities) and lower interest rates, partially offset by an increase in the Multifamily Bond Fund.				
<b>-1.cc. - Unrealized gains (losses) on investment</b>	<b>(1,125,152)</b>	<b>1,679,347</b>	<b>(2,804,498)</b>	<b>(167.00%)</b>
Unrealized gains (losses) on investment reflect the hypothetical gains and/or losses on investments HOC would have received if those investments had been sold on the last day of the reporting period. If planned properly and held to maturity, no recognized gain or loss should result from the investments.				
<b>-1.dd. - Interest on mort. and const. loans receivable</b>	<b>1,534,885</b>	<b>2,139,349</b>	<b>(604,464)</b>	<b>(28.25%)</b>
The decrease in interest on mortgage and construction loans receivable is attributable primarily to a decrease in the average mortgage loan receivable balance in both the Single Family Bond Fund and the Multifamily Bond Fund.				
<b>-1.ee. - Management fees and other income</b>	<b>1,552,559</b>	<b>1,364,279</b>	<b>188,279</b>	<b>13.80%</b>
The increase in management fees and other income is primarily due to an increase in insurance premium income from the FHA Risk Sharing Program and loan management fees income.				
<b>- 1.ff. - Housing Assistance Payments – Revenue</b>	<b>26,404,919</b>	<b>28,060,324</b>	<b>(1,655,405)</b>	<b>(5.90%)</b>
<b>- 1.ff. - Housing Assistance Payments – Expense</b>	<b>30,203,777</b>	<b>27,314,343</b>	<b>2,889,433</b>	<b>10.58%</b>

The decrease in Housing Assistance Payments (HAP) – revenue is mainly attributed to the transition of the excess HAP revenue as of December 31, 2019 to HUD-held funds through an offset against the July 2020 HAP funding. This decrease is partially offset by an increase in the 2017 Mainstream Program and the Incoming Portable vouchers. The increase in HAP - Expense is largely due to new programs, an increase in the number vouchers and the average cost per unit per voucher.

**HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY, MARYLAND**  
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		FY'21	FY'20	Dollar Variance	Percentage Variance
- 1.gg. -	<b>State and County grants</b>	2,269,775	2,799,156	(529,381)	(18.91%)
	The decrease in the State and County grants is attributed primarily to the County Main Grant partially offset by an increase in the County Capital Improvement Programs (CIP) for Public Housing and Ambassador demolition.				
- 1.hh. -	<b>Administration</b>	10,039,512	11,407,312	(1,367,800)	(11.99%)
	The decrease in administrative expense is driven by a decrease in all of the sub-funds except the Multifamily Bond Fund, which registered minimal increase. The decrease is largely due to lower operating professional services and temporary agency services within the General Fund, underwriter's fee expense within the Single Family Bond Fund, operating services contracts within the Public Fund and rental license fees and temporary agency/pool services within the Opportunity Housing Fund.				
- 1.ii. -	<b>Maintenance</b>	5,975,269	6,272,107	(296,837)	(4.73)%
	The decrease in maintenance is mainly attributed to a decrease within the General Fund due to plumbing and miscellaneous contracts last year at the Bonifant office, partially reduced by higher cost related to COVID-19. The Opportunity Housing properties maintenance expenses also decreased such as roofing/gutter, paint/wall covering and flooring/carpet, partially offset by an increase in contract maintenance/janitorial salary.				
-1.jj.-	<b>Utilities</b>	1,859,798	1,579,084	280,714	17.78%
	The increase in Utilities is largely driven by electricity and trash collection expenses at the Cider Mill Apartments.				
-1.kk.-	<b>Fringe benefits</b>	2,704,414	3,581,889	(877,474)	(24.50%)
	The decrease in fringe benefits is mainly due to a decrease in pension expense, other post-employment benefits retired employee benefits, partially offset by higher contract managed benefits.				
1.ii.-	<b>Interest Expense</b>	5,759,079	5,953,189	(194,109)	(3.26%)
	The decrease in interest expense is largely attributed to a decrease in the Single Family Bonds payable due to scheduled and early redemptions.				
- 1.mm -	<b>Other Expense</b>	2,245,649	1,684,232	561,418	33.33%
	The increase in other expense is largely due to COVID 19 expenses within the General Fund and various Opportunity Housing Properties. In addition, an increase in contributions to the reserve for FHA risk sharing, as well as the five transferred properties contributed to the increase.				



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

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

**VIA:** Stacy L. Spann, Executive Director

**FROM:** Staff: Cornelia Kent                  Division: Finance                  Ext. 9754  
                 Terri Fowler                                  Ext. 9507  
                 Tomi Adebo    Ext. 9472

**RE:** Discussion of FY'21 First Quarter Budget Amendment

**DATE:** December 15, 2020

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**BACKGROUND:**

The HOC Budget Policy provides for the Executive Director to propose any budget amendments for the Commission to consider that may better reflect the revenues and expenses for the remainder of the year.

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**ISSUES FOR CONSIDERATION:**

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

- **General Fund:** Income in the General Fund will be increased by \$20,652 to reflect the additional Management Fee income that will be received from the Fatherhood Grant (See Public Fund).
  
- **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 is recommending that the FY'21 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 \$241,570. The projected draw of \$1,762,866 will be reduced by this amount and the savings will be used towards FY'21 administrative costs. Therefore, there is no impact to the income of the fund. The revised draw will be \$1,521,296.
  
  - **Single Family Bond Funds:** Accumulated savings in the Single Family Bond Fund is \$208,038. The projected draw of \$1,123,805 will be reduced by this amount and the savings will be used towards FY'21 administrative costs. Therefore, there is no impact to the income of the fund. The revised draw will be \$915,767.

- **Opportunity Housing Fund:**

- **Avondale:** The rate budgeted for the outstanding property debt on the \$60 million PNC Line of Credit (LOC) was higher than the actual payments. This budget amendment corrects the rate applied to the property debt. Expenses in the Opportunity Housing Fund will decrease by \$110,188 to reflect the lower interest expense on the PNC LOC.
- **Property Extensions:** Georgian Court and Stewarttown were only budgeted through December 21, 2019 because the plan was to re-syndicate both properties with Tax Credit financing by that date. Due to shifts in the timelines for the re-syndication, this budget amendment extends the restricted budgets for Georgian Court through June 30, 2021 and Stewarttown through March 31, 2021. Both income and expenses in the Opportunity Housing Fund will increase by \$1,119,030 (\$783,394 + \$335,636). The following chart depicts the overall impact of this amendment:

<b>FY'21 First Quarter Budget Amendment</b>		
	<b>Reflects January 1, 2021 - June 30, 2021</b>	<b>Reflects January 1, 2021 - March 31, 2021</b>
	<b>Georgian Court</b>	<b>Stewarttown</b>
<b>Total Revenue</b> .....	<b>\$783,394</b>	<b>\$335,636</b>
Gross Rents .....	\$837,192	\$396,606
Vacancy Loss .....	(\$66,000)	(\$38,274)
Other Revenue .....	\$12,202	(\$22,696)
<b>Total Operating Expenses</b> .....	<b>\$473,408</b>	<b>\$218,316</b>
Administrative .....	\$171,236	\$71,802
Tenant Services .....	\$45,547	\$17,367
Maintenance .....	\$159,626	\$68,495
Other .....	\$96,999	\$60,652
<b>Net Operating Income</b> .....	<b>\$309,986</b>	<b>\$117,320</b>
Annual RfR Contribution .....	\$25,776	\$9,399
Asset Management Fee .....	\$0	\$3,000
Excess Cash Flow Restricted .....	\$54,496	\$7,837
Annual Debt Service .....	\$229,714	\$97,084
<b>Total Non-Operating Expenses</b> .....	<b>\$309,986</b>	<b>\$117,320</b>
<b>Cash Flow / (Deficit)</b> .....	<b>\$0</b>	<b>\$0</b>
<b>Capital</b> .....	<b>\$37,625</b>	<b>\$8,170</b>

- **Daycare located at 9845 Lost Knife Road:** A budget has been developed to incorporate the non-dwelling income, Replacement for Reserve (RfR) contributions, and debt payments for the Daycare located at 9845 Lost Knife Road into the Agency budget. Both income and expenses in the Opportunity Housing fund will increase by \$136,059.

- **Public Fund:**

- **Fatherhood Grant:** The Fatherhood Grant was awarded for an additional five-year term at a higher rate of funding than the original budget assumed. This budget amendment includes the additional funding and expenses for the period October 1 through June 30. The management fee paid to the Agency for overhead increased by \$20,652 as a result of the additional funding (See General Fund). Both income and expenses in the Public Fund will be increased by \$227,204.

**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 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 \$979,948 for several properties be rolled forward and included in the FY'20 Budget. This work will be funded from property replacement reserves.

<b>FY'21 1st Quarter Capital Rollover</b>	
Diamond Square	\$56,000
MetroPointe	\$216,470
Metropolitan - Market	\$101,050
Metropolitan - Affordable	\$43,307
Oaks at Four Corners	\$117,080
Strathmore Court - Market	\$12,293
Strathmore Court - Affordable	\$22,888
Westwood Towers	\$410,860
<b>Total</b>	<b>\$979,948</b>

- **Property Extensions:** Georgian Court and Stewartown were only budgeted through December 21, 2019 because the plan was to re-syndicate both properties with Tax Credit financing by that date. Due to shifts in the timelines for the re-syndication, this budget amendment extends the capital budgets for Georgian Court through June 30, 2021 and Stewartown through March 31, 2021. Both income and expenses in the Capital Budget will increase by \$45,795 (\$37,625 + \$8,170).

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**BUDGET IMPACT:**

The net effect of the FY'21 First Quarter Budget Amendment is a surplus of \$130,840. The FY'21 Adopted Budget includes a projected draw of \$359,631 from the General Fund Operating Reserve (GFOR) to balance the budget. Staff recommends that the anticipated draw be reduced by \$130,840 to \$228,791 in order to maintain a balanced budget.

The total FY'21 Operating Budget for HOC increased from \$278,680,288 to \$280,052,393. This is an increase of \$1,372,105. The total FY'21 Capital Budget for HOC has increased from \$236,842,049 to \$237,867,792. This is an increase of \$1,025,743. Approval by the Commission of any budget amendments will revise the FY'20 Budget to reflect an accurate plan for the use of the Agency's resources for the remainder of the year.

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**TIME FRAME:**

For informal discussion at the December 15, 2020 Budget, Finance and Audit Committee meeting.  
For formal Commission action at the January 13, 2021 meeting.

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**STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:**

Staff requests that the Budget, Finance and Audit Committee join its recommendation to the full Commission approval of the proposed FY'21 First Quarter Budget Amendment.

FY 2021 Operating Budget First Quarter Amendment			Adopted Budget	Net Changes		Net Changes		First Quarter Budget Amendment
	Revenues	Expenses		To Revenue	To Expenses	Revenues	Expenses	
<b>General Fund</b>								
General Fund	\$23,815,987	\$26,795,714	(\$2,979,727)	\$20,652	\$0	\$23,836,639	\$26,795,714	(\$2,959,075)
<b>Draw from GFOR to Balance Budget</b>	\$359,631	\$0	\$359,631	(\$130,840)	\$0	\$228,791	\$0	\$228,791
<b>Multifamily &amp; Single Family Bond Funds</b>								
Multifamily Fund	\$16,281,454	\$16,281,454	\$0	\$0	\$0	\$16,281,454	\$16,281,454	\$0
Single Family Fund	\$8,977,104	\$8,977,104	\$0	\$0	\$0	\$8,977,104	\$8,977,104	\$0
<b>Opportunity Housing Fund</b>								
Opportunity Housing & Dev Corps	\$100,859,910	\$98,388,916	\$2,470,994	\$1,255,089	\$1,144,901	\$102,114,999	\$99,533,817	\$2,581,182
<b>Draw from GFOR for MetroPointe Deficit</b>	\$149,102	\$0	\$149,102	\$0	\$0	\$149,102	\$0	\$149,102
Opportunity Housing Reserve Fund	\$3,391,138	\$1,558,872	\$1,832,266	\$0	\$0	\$3,391,138	\$1,558,872	\$1,832,266
<b>Restricted to OHRF</b>	\$0	\$1,832,266	(\$1,832,266)	\$0	\$0	\$0	\$1,832,266	(\$1,832,266)
<b>Public Fund</b>								
Housing Choice Voucher Program	\$107,292,321	\$107,787,731	(\$495,410)	\$0	\$0	\$107,292,321	\$107,787,731	(\$495,410)
<b>County Contributions towards HCVP Administration</b>	\$495,410	\$0	\$495,410	\$0	\$0	\$495,410	\$0	\$495,410
Federal , State and Other County Grants	\$17,058,231	\$17,058,231	\$0	\$227,204	\$227,204	\$17,285,435	\$17,285,435	\$0
<b>TOTAL - ALL FUNDS</b>	<b>\$278,680,288</b>	<b>\$278,680,288</b>	<b>\$0</b>	<b>\$1,372,105</b>	<b>\$1,372,105</b>	<b>\$280,052,393</b>	<b>\$280,052,393</b>	<b>\$0</b>

Footnotes - explanation of changes recommended to adopted

**GF R** \$20,652 Add additional Management Fee from Fatherhood Grant

**GF E** (\$130,840) Reduce draw from GFOR

**MF R** (\$241,570) Reduce Multifamily Bond Fund draw by FY'19 accumulated savings

**MF R** \$241,570 Add carryover of cumulative savings

**SF R** (\$208,038) Reduce Single Family Bond Fund draw by FY'19 accumulated savings

**SF R** \$208,038 Add carryover of cumulative savings

**OH E** (\$110,188) Reduce rate for payments to PNC LOC

**OH R** \$783,394 Ext. Budget for Georgian Court through June 30

**OH R** \$335,636 Ext. Budget for Stewartown through March 31

**OH R** \$136,059 Add Budget for Day Care at 9845 Lost Knife Road

**\$1,255,089 Total Change to OH Fund**

**OH E** \$783,394 Ext. Budget for Georgian Court through June 30

**OH E** \$335,636 Ext. Budget for Stewartown through March 31

**OH E** \$136,059 Add Budget for Day Care at 9845 Lost Knife Road

**\$1,255,089 Total Change to OH Fund**

**Grants R** \$227,204 Increase Fatherhood Grant for new Contract

**Grants E** \$227,204 Increase Fatherhood Grant for new Contract

FY 2021 Capital Budget 1st Quarter Amendment		Revenues	Expenses	Adopted Budget	Net Changes to Revenue	Net Changes to Expenses	Revenues	Expenses	1st Quarter Amendment
<b>Capital Improvements</b>									
	East Deer Park	\$195,000	\$195,000	\$0	\$0	\$0	\$195,000	\$195,000	\$0
	Kensington Office	\$50,000	\$50,000	\$0	\$0	\$0	\$50,000	\$50,000	\$0
	880 Bonifant	\$255,000	\$255,000	\$0	\$0	\$0	\$255,000	\$255,000	\$0
	Information Technology	\$532,440	\$532,440	\$0	\$0	\$0	\$532,440	\$532,440	\$0
	Opportunity Housing Properties	\$6,617,726	\$6,617,726	\$0	\$1,025,743	\$1,025,743	\$7,643,469	\$7,643,469	\$0
		<b>\$7,650,166</b>	<b>\$7,650,166</b>	<b>\$0</b>	<b>\$1,025,743</b>	<b>\$1,025,743</b>	<b>\$8,675,909</b>	<b>\$8,675,909</b>	<b>\$0</b>
<b>Capital Development Projects</b>									
	Fenton Silver Spring (formerly 900 Th	\$10,364,386	\$10,364,386	\$0	\$0	\$0	\$10,364,386	\$10,364,386	\$0
	Bauer Park	\$8,448,271	\$8,448,271	\$0	\$0	\$0	\$8,448,271	\$8,448,271	\$0
	Brooke Park Apartments	\$9,004,390	\$9,004,390	\$0	\$0	\$0	\$9,004,390	\$9,004,390	\$0
	Deeply Affordable Units	\$1,250,000	\$1,250,000	\$0	\$0	\$0	\$1,250,000	\$1,250,000	\$0
	Elizabeth House III	\$36,506,742	\$36,506,742	\$0	\$0	\$0	\$36,506,742	\$36,506,742	\$0
	Georgian Court	\$26,379,451	\$26,379,451	\$0	\$0	\$0	\$26,379,451	\$26,379,451	\$0
	Shady Grove	\$17,630,079	\$17,630,079	\$0	\$0	\$0	\$17,630,079	\$17,630,079	\$0
	Stewartown	\$14,885,930	\$14,885,930	\$0	\$0	\$0	\$14,885,930	\$14,885,930	\$0
	Upton II	\$17,284,646	\$17,284,646	\$0	\$0	\$0	\$17,284,646	\$17,284,646	\$0
	West Side Shady Grove	\$29,633,207	\$29,633,207	\$0	\$0	\$0	\$29,633,207	\$29,633,207	\$0
	Willow Manor Resyndication	\$57,804,781	\$57,804,781	\$0	\$0	\$0	\$57,804,781	\$57,804,781	\$0
		<b>\$229,191,883</b>	<b>\$229,191,883</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$229,191,883</b>	<b>\$229,191,883</b>	<b>\$0</b>
<b>TOTAL - ALL FUNDS</b>		<b>\$236,842,049</b>	<b>\$236,842,049</b>	<b>\$0</b>	<b>\$1,025,743</b>	<b>\$1,025,743</b>	<b>\$237,867,792</b>	<b>\$237,867,792</b>	<b>\$0</b>

Footnotes - explanation of changes

**OH R Add roll over budgets from FY 2020 - \$979,948**

\$56,000	Diamond Square - (Pipe Replacement)
\$216,470	MetroPointe - (Ext. Paint, Fit. Equip., Clubhouse/Lobby Furn., Hall Carpet and Office Upg.)
\$101,050	Metropolitan Market - (Cool. Tow. rep., Backflow Prev., Load. Dock, Heat Pump, Heat Exch.)
\$43,307	Metropolitan Affordable - (Cool. Tow. rep., Backflow Prev., Load. Dock, Heat Pump, Heat Exch.)
\$117,080	Oaks at Four Corners - (Waterproofing, Sliding Replacement)
\$12,293	Strathmore Court Market - (Fitness Equipment)
\$22,888	Strathmore Court Affordable - (Fitness Equipment, HVAC, and Plumbing)
\$410,860	Westwood Towers - (Kitchen & Bath, Plumbing, Grounds, HVAC, Asphalt, Sec. Sys.)
<b>\$979,948</b>	<b>Total Change to OH Fund</b>

<b>OH R</b>	\$37,625	Ext. Budget for Georgian Court through June 30
<b>OH R</b>	\$8,170	Ext. Budget for Stewartown through March 31
	<b>\$45,795</b>	<b>Total Change to OH Fund</b>

**OH E Add roll over budgets from FY 2020 - \$979,948**

\$56,000	
\$216,470	
\$101,050	
\$43,307	
\$117,080	
\$12,293	
\$22,888	
\$410,860	
<b>\$979,948</b>	<b>Total Change to OH Fund</b>

<b>OH E</b>	\$37,625	Ext. Budget for Georgian Court through June 30
<b>OH E</b>	\$8,170	Ext. Budget for Stewartown through March 31
	<b>\$45,795</b>	<b>Total Change to OH Fund</b>

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

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

**VIA:** Stacy L. Spann, Executive Director

**FROM:** Staff: Cornelia Kent                      Division: Finance                      Ext. 9754  
                     Terri Fowler    Ext. 9507  
                     Tomi Adebo    Ext. 9472

**RE:** Discussion of CY'20 Third Quarter Budget Amendment

**DATE:** December 15, 2020

**BACKGROUND:**

As Managing General Partner, HOC has a fiduciary responsibility for each of the Tax Credit Partnerships. The current HOC budget policy stipulates that the financial performance and budgets of the Tax Credit Partnerships should be reviewed on the same fiscal year as its partners (December 31). The Tax Credit Partnership Budgets require adoption by the Commission, separate from the Agency's general budget process. On November 6, 2019, the Commission adopted the CY'20 budgets for the partnerships that owned the 12 multifamily properties which are calendar year-end properties.

**ISSUES FOR CONSIDERATION:**

- **Bauer Park Apartments LP (Bauer Park):** On September 1, 2020, the Agency refinanced Bauer Park Apartments using tax credit equity. In keeping with the Agency's budget policy, a CY'21 budget for the new limited partnership was prepared and approved by the Commission on November 4, 2020. This budget amendment will incorporate a budget for the period of September 1 through December 31 2020. The budget was developed based on current and historic budget data for the units when owned by the Agency, as well as the pro forma budget that was used to underwrite the transaction. During CY'20-21, the property is expected to experience higher vacancies as units are held vacant to support tenant in-place renovations.
- The table on the next page summarizes the CY'20 partial budget for Bauer Park Apartments LP during renovations:

**Bauer Park Apartments LP - CY 2020 Budget  
Under Renovations**

	<b>CY 2020</b>
Total Revenue .....	\$391,175
Total Operating Expenses .....	\$201,614
Net Operating Income .....	\$189,561
Asset Management Fee .....	\$0
(1) Annual RfR Contribution .....	\$4,416
(2) Annual Debt Service .....	\$0
Total Non-Operating Expenses .....	\$4,416
Cash Flow .....	\$185,145
Capital .....	\$915

(1) Are suspended and will resume post-renovation.  
(2) Interest during construction will be absorbed in the Development Budget and commence at the property post-renovation.

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**BUDGET IMPACT:**

Approval by the Commission will establish this as the CY'20 operating and capital budget for Bauer Park Apartments LP.

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**TIME FRAME:**

For informal discussion at the December 15, 2020 Budget, Finance and Audit Committee meeting.  
For formal Commission action at the January 13, 2021 meeting.

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**STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:**

Staff requests that the Budget, Finance and Audit Committee join its recommendation to the full Commission approval of the proposed CY'20 Third Quarter Budget Amendment for Bauer Park Apartments LP.



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

**TO:** Budget, Finance and Audit Committee

**VIA:** Stacy L. Spann, Executive Director

**FROM:** Staff: Cornelia Kent      Division: Finance      Ext. 9754  
                 Eugenia Pascual      Finance      Ext. 9478  
                 Nilou Razeghi      Finance      Ext. 9494  
                 Charnita Jackson      Property Management      Ext. 9776

**RE:** Write-off Uncollectible Tenant Accounts Receivable  
(July 1, 2020 – September 30, 2020)

**DATE:** December 15, 2020

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**BACKGROUND:**

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

HOC also maintains a relationship with rent collections firm, Rent Collect Global (RCG). All delinquent balances of \$200 or more are submitted to RCG for further pursuit. Additionally, HOC offers a Surety Bond Program in which residents are provided the option to purchase a security bond, at a much lower rate, from the firm SureDeposit, Inc. instead of paying a traditional security deposit to the Agency. Moreover, the full value of the Surety Bond is available to HOC for recovery of any damage or other loss, just like a traditional security deposit. Through HOC’s collection efforts and the services of RCG and SureDeposit, HOC makes every effort to pursue all tenant outstanding receivables.

The last approved write-off on September 22, 2020 was for \$34,196, which covered the three-month period from April 1, 2020, through June 30, 2020.

The proposed write-off of former tenant accounts receivable balances for the first quarter July 1, 2020 through September 30, 2020 is \$77,605.

The \$77,605 first quarter write-off is primarily due to the Opportunity Housing properties, Supportive Housing and the RAD 6 property Seneca Ridge. Public Housing also contribute a small amount to the write offs from former tenants. The primary reasons for the write-offs across the properties include tenants who skipped, voluntarily left their units, passed away,

purchased a home, transferred due to medical reasons or to enter another program and non-compliance with program requirements.

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

Property Type	Current	Prior			Fiscal Year 2021	Fiscal Year 2020
	Write-offs	Write-offs	\$ Change	% Change	Year-to-Date	Year-to-Date
	07/01/20 - 09/30/20	04/01/20 - 06/30/20	06/30/20 - 09/30/20	06/30/20 - 09/30/20	07/01/20 - 09/30/20	07/01/19 - 09/30/19
Public Housing	\$ 370	\$ -	\$ 370	0.00%	\$ 370	\$ -
Opportunity Housing	40,603	16,940	23,663	139.69%	40,603	26,413
Supportive Housing	20,825	1,853	18,972	1023.85%	20,825	2,323
RAD Properties	15,807	15,403	404	2.62%	15,807	12,494
Rental Asst Sec8 Repays	-	-	-	0.00%	-	4,108
	<b>\$ 77,605</b>	<b>\$ 34,196</b>	<b>\$ 43,409</b>	<b>126.94%</b>	<b>\$ 77,605</b>	<b>\$ 45,337</b>

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

Public Fund	Current	Prior			Fiscal Year 2021	Fiscal Year 2020
	Write-offs	Write-offs	\$ Change	% Change	Year-to-Date	Year-to-Date
	07/01/20 - 09/30/20	04/01/20 - 06/30/20	06/30/20 - 09/30/20	06/30/20 - 09/30/20	07/01/20 - 09/30/20	07/01/19 - 09/30/19
Former PH Tenants	\$ 370	\$ -	\$ 370	0.00%	\$ 370	\$ -
<b>Total Public Fund</b>	<b>\$ 370</b>	<b>\$ -</b>	<b>\$ 370</b>	<b>0.00%</b>	<b>\$ 370</b>	<b>\$ -</b>

Within the public Housing portfolio, the \$370 write-off amount is due to two tenants who passed away and one tenant who transferred to another program.

Opportunity Housing (OH) Fund	Current	Prior			Fiscal Year 2021	Fiscal Year 2020
	Write-offs	Write-offs	\$ Change	% Change	Year-to-Date	Year-to-Date
	07/01/20 - 09/30/20	04/01/20 - 06/30/20	06/30/20 - 09/30/20	06/30/20 - 09/30/20	07/01/20 - 09/30/20	07/01/19 - 09/30/19
Camp Hill Square	3,683	-	3,683	0.00%	3,683	-
McHome	-	60	(60)	-100.00%	-	-
MHLP I/64	397	15,449	(15,052)	-97.43%	397	-
MHLP IX - MPDU	-	-	-	0.00%	-	6,228
MHLP VIII	-	-	-	0.00%	-	110
MHLP X	-	107	(107)	-100.00%	-	3,766
Scattered Site One Dev Corp	11,798	-	11,798	0.00%	11,798	1,317
State Rental Partnership	2,943	178	2,765	1553.37%	2,943	-
Town Center Apts	-	123	(123)	-100.00%	-	-
TPM Dev Corp - MPDU II (59)	21,782	-	21,782	0.00%	21,782	-
TPP LLC - Pomander	-	834	(834)	-100.00%	-	-
VPC One Corp	-	189	(189)	-100.00%	-	11,071
VPC Two Corp	-	-	-	0.00%	-	3,921
<b>Total OH Fund</b>	<b>\$ 40,603</b>	<b>\$ 16,940</b>	<b>\$ 23,663</b>	<b>139.69%</b>	<b>\$ 40,603</b>	<b>\$ 26,413</b>

Within the Opportunity Housing portfolio, the \$40,603 write-off amount were largely attributable to TPM Dev Corp – MPDU II (59), Scattered Site One Development Corporation, Camp Hill Square, State Rental Partnership and MHLP I (64). The write-offs were mainly due to four tenants who skipped, one tenant who purchased a home, two tenants who voluntarily vacated their units, one tenant who transferred for medical reason and one tenant who was deceased.

	Current	Prior			Fiscal Year 2021	Fiscal Year 2020
	Write-offs	Write-offs	\$ Change	% Change	Year-to-Date	Year-to-Date
	07/01/20 - 09/30/20	04/01/20 - 06/30/20	06/30/20 - 09/30/20	06/30/20 - 09/30/20	07/01/20 - 09/30/20	07/01/19 - 09/30/19
<b>Supportive Housing</b>						
McKinney X - HUD	\$ 20,825	\$ 1,476	\$ 19,349	1310.91%	\$ 20,825	\$ 2,323
McKinney XIV - HUD	-	377	(377)	-100.00%	-	-
<b>Total Supportive Housing</b>	<b>\$ 20,825</b>	<b>\$ 1,853</b>	<b>\$ 18,972</b>	<b>1023.85%</b>	<b>\$ 20,825</b>	<b>\$ 2,323</b>

Within the Supportive Housing Program, the \$20,825 write –off amounts were due to one tenant who accounted for about 99% of the total and it was due to non-compliance with program requirement and one tenant who passed away.

	Current	Prior			Fiscal Year 2021	Fiscal Year 2020
	Write-offs	Write-offs	\$ Change	% Change	Year-to-Date	Year-to-Date
	07/01/20 - 09/30/20	04/01/20 - 06/30/20	06/30/20 - 09/30/20	06/30/20 - 09/30/20	07/01/20 - 09/30/20	07/01/19 - 09/30/19
<b>RAD Properties</b>						
RAD 6 - Seneca Ridge	15,807	-	15,807	0.00%	15,807	9,236
RAD 6 - Washington Square	-	15,403	(15,403)	-100.00%	-	3,258
<b>Total RAD Properties</b>	<b>\$ 15,807</b>	<b>\$ 15,403</b>	<b>\$ 404</b>	<b>2.62%</b>	<b>\$ 15,807</b>	<b>\$ 12,494</b>

Within the RAD properties, the \$15,807 write-off amounts were due to one tenant who skipped and one tenant who voluntarily vacated the unit.

	Current	Prior			Fiscal Year 2021	Fiscal Year 2020
	Write-offs	Write-offs	\$ Change	% Change	Year-to-Date	Year-to-Date
	07/01/20 - 09/30/20	04/01/20 - 06/30/20	06/30/20 - 09/30/20	06/30/20 - 09/30/20	07/01/20 - 09/30/20	07/01/19 - 09/30/19
<b>Rental Asst Sec8 Repays</b>						
Rental Asst Sec8 Repays	\$ -	\$ -	\$ -	0.00%	\$ -	\$ 4,108
<b>Total Rental Asst Sec8 Repays</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.00%</b>	<b>\$ -</b>	<b>\$ 4,108</b>

Within the Rental Assistant Sec8 Repays, there were no write-offs to report in the first quarter of FY '21.

The next anticipated write-off will be for the second quarter of FY'21, covering October 1, 2020, through December 31, 2020. Upon approval, the write-offs will be processed through Yardi's write-off function with the tenant detail placed into the uncollectible accounts receivable database.

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**ISSUES FOR CONSIDERATION:**

Will the Budget, Finance and Audit Committee join staff's recommendation to the Commission that the Commission authorize the write-off of uncollectible tenant accounts receivable?

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**BUDGET IMPACT:**

The recommended write-off of the tenant accounts receivable balances does not affect the net income or cash flow of the individual properties or the Agency as a whole. The write-off expense was recorded when the initial allowance was established because of the receivable balance being 90 days past due. The recommended write-off is to adjust the balance sheet and remove the aged receivable balances.

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**TIME FRAME:**

For information discussion at the December 15, 2020 Budget, Finance and Audit Committee meeting. For formal Commission action at the January 6, 2021 meeting.

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**STAFF RECOMMENDATION:**

Staff requests that the Budget, Finance and Audit Committee join its recommendation to the Commission that the Commission authorize the write-off of uncollectible tenant accounts receivable.



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**BUDGET IMPACT:**

The amount of interest expense for FY 2021 is estimated to be \$120,801. The interest expense will be included in the FY 2022 Agency Budget.

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**TIME FRAME:**

For informal discussion at the December 15, 2020 Budget, Finance and Audit Committee meeting.  
For formal Commission action at the January 13, 2021 meeting.

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**STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:**

Staff recommends the Budget, Finance and Audit Committee join in recommending to the full Commission approval to extend the use of the LOC to Wheaton Gateway, LLC.

## **RENEWAL OF THE PROPERTY MANAGEMENT CONTRACT AT TANGLEWOOD CLUSTER**

**December 15, 2020**

- The Property Management Contract with Tanglewood and Sligo Limited Partnership (“Tanglewood and Sligo”), 527 Dale Drive, Southbridge Apartments and Manchester Manor for Property Management Services is expiring March 31, 2021. The contract provides for three one-year renewals. The contract was originally awarded in March 2013.
- Per the Commission’s procurement policy, the Commission must approve all property management contract renewals.
- Staff requests that the contract for Property Management Services for Tanglewood Cluster (Tanglewood and Sligo, Dale Drive., Southbridge Apartments and Manchester Manor) be renewed for one year with Residential One Management.

## MEMORANDUM

**TO:** Budget, Finance and Audit Committee

**VIA:** Stacy L. Spann, Executive Director

**FROM:** Staff: Jay Berkowitz Division: Property Management Ext. 4857

**RE:** Renewal of the Property Management Contract for Tanglewood Cluster (Tanglewood and Sligo, Dale Drive., Southbridge Apartments and Manchester Manor) is expiring March 31, 2021.

**DATE:** December 15, 2020

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### BACKGROUND:

Tanglewood and Sligo is a 132-unit garden style apartment community of 85 affordable LIHTC units at 60%, 14 units at 50% and 33 units at 33% of the median income. Tanglewood is located in Silver Spring two miles north of downtown Silver Spring. The property received a score of 88B for its most recent REAC inspection in 2020. The property has maintained an average occupancy of 95% over the last 2 years.

Manchester Manor is a 53-unit six-story mid-rise community, built in 1959 and renovated in 1999 located in Silver Spring. The community consists of 5 market and 48 units restricted at or below 60% AMI. The property received a 98A on its most recent REAC in March 2019 and the property has maintained an average occupancy of 98% over the last 2 years.

Southbridge is a 39 unit mixed income community built in 1964 and renovated in 2012 located in Takoma Park. The property has 19 Market units and 20 units restricted at or below 50% AMI. The property has maintained 97% occupancy over the last 2 years.

Dale Drive is a 10-unit garden-community built in 1943 and renovated in 2008 with nine units restricted at or below 40% AMI. The tenant is the Montgomery County Coalition for the Homeless for a thirty-year term.

The Property Management Contract for the Tanglewood Cluster (Tanglewood and Sligo, Dale Drive., Southbridge Apartments and Manchester Manor) is expiring March 31, 2021.

Staff wishes to renew the property management contract for Tanglewood and Sligo, Dale Drive., Southbridge Apartments and Manchester Manor for one year with Residential One Management.



The following table details the property information, including number of units, current property management company, annual contract cost, current contract end date, proposed renewal start and end date and contract terms remaining. The management fee will be performance based.

Property	Units	Current Vendor	Annual Renewal Contract Cost	Contract End Date	Proposed Renewal Start Date/End Date	Contract Terms (Remaining Renewals)
Manchester Manor	54	Residential One, LLC	\$23,976	3/31/2021	4/1/2021-3/31/2022	No Renewals Remaining
Tanglewood and Sligo	132	Residential One, LLC	\$58,608	3/31/2021	4/1/2021-3/31/2022	No Renewals Remaining
Dale Drive	10	Residential One, LLC	\$4,440	3/31/2021	4/1/2021-3/31/2022	No Renewals Remaining
Southbridge Apartment	39	Residential One, LLC	\$1,443	3/31/2021	4/1/2021-3/31/2022	No Renewals Remaining

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**ISSUES FOR CONSIDERATION:**

Will the Budget, Finance and Audit Committee join staff’s recommendation to the Commission that the Commission approve the renewal of the property management services contract with Residential One Management for property management services at the Tanglewood and Sligo, Manchester Manor, Dale Drive and Southbridge?

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**BUDGET IMPACT:**

The renewal of the property management contract for Tanglewood and Sligo, Manchester Manor, Dale Drive and Southbridge for one year will not have a budget impact as the costs associated with the services were factored into the CY2021 and FY2021 property budget. Additionally, the renewal will be performance based so the management fee would be lower if revenue declined below budgeted expectations. In addition to occupancy, performance criteria will include REAC scoring.

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**TIME FRAME:**

For informal discussion at the Budget, Finance and Audit Committee meeting on December 15, 2020; for formal Commission action at the January 6, 2021 meeting.

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**STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:**

Staff requests that the Budget, Finance and Audit Committee join its recommendation to the Commission that the commission approve the property management contract renewal with Residential One Management for one year at Tanglewood and Sligo, Manchester Manor, Dale Drive and Southbridge.