10400 Detrick Avenue
Kensington, MD 20895-2484
(240) 627-9421

Budget, Finance, and Audit Committee

May 17, 2024
10:00 a.m.

Livestream: https://youtube.com/live/zM_HhUNo4v0?feature=share

The public is invited to attend HOC's May 17, 2024 Budget, Finance, and Audit Committee meeting in-person. HOC's Board of Commissioners and staff will continue to participate through a hybrid model (a combination of in-person and online participation).

Approval of Minutes:

Discussion/Action Items:

Minutes

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

Budget, Finance, and Audit Committee Minutes
April 19, 2024

For the official record of the Housing Opportunities Commission of Montgomery County, an open meeting of the Budget, Finance and Audit Committee was conducted via a hybrid platform (with some participating in-person and some participating online/via teleconference) on Friday, April 19, 2024 with moderator functions occurring at 10400 Detrick Avenue, Kensington, Maryland beginning at 10:08 a.m. There was a livestream of the meeting held on YouTube, available for viewing here. Those in attendance were:

Present
Roy Priest-- Chair
Frances Kelleher – Commissioner
Jeffrey Merkowitz

Also Present

Chelsea Andrews, President/Executive Director
Kayrine Brown, Senior Executive Vice President
Richard Congo
Terri Fowler
Timothy Goetzinger, Chief Financial Officer
Aisha Memon, Senior Vice President, Legal Affairs
Ali Ozair
Kai Hsieh

Present via Zoom

Len Vilic
Sean Asberry
LeNeishia Carroll

IT Support
Aries "AJ" Cruz

Commission Support
Morgan Tucker, Senior Executive Assistant

Commissioner Priest opened the meeting with a welcome and introduction of Commissioner Merkowitz and Commissioner Kelleher. Commissioner Priest began the meeting with the approval of the minutes.

APPROVAL OF MINUTES

1. **Approval of Budget, Finance, and Audit Committee Minutes of March 15, 2024.**

The minutes of the March 15, 2024 meeting were approved as submitted with a motion by Commissioner Kelleher and seconded by Commissioner Merkowitz. Affirmative votes were cast by Commissioners Priest, Kelleher, and Merkowitz.

ACTION/DISCUSSION ITEMS

1. **Fiscal Year 2025 (FY'25) Budget Presentation: Presentation of the FY2025 General Fund.**

   Commissioner Priest introduced Chelsea Andrews, President, to provide an overview of the presentation. President Andrews introduced Tim Goetzinger, Chief Financial Officer, who turned to Terri Fowler, Budget Officer who provided the presentation. There were no questions from the Committee. Staff did not request any action on this item.

2. **Fiscal Year 2025 (FY'25) Budget Presentation: Presentation of the FY2025 Public Fund.**

   Terri Fowler, Budget Officer, introduced Kai Hsieh, Assistant Budget Officer, who provided the presentation. Staff addressed questions from the Committee. Commissioner Kelleher suggested a 2024 to 2025 comparison in favor of the recommended comparisons. Staff did not request any action on this item.

3. **Budget Policy: Overview of the Agency's Reserve Policy.**

   Chelsea Andrews, President, provided an overview of the presentation. President Andrews introduced Tim Goetzinger, Chief Financial Officer, who provide the presentation. Commissioner Kelleher thanked staff for the presentation as this item has been a long awaited request. Staff did not request any action on this item.

Based upon this report and there being no further business to come before this session of the Committee, the Committee adjourned the meeting at 11:04 a.m.

Respectfully submitted,

Chelsea Andrews
Secretary-Treasurer

/mpt

M E M O R A N D U M

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

VIA: Chelsea J. Andrews, President/Executive Director

FROM: Staff: Timothy Goetzinger, Senior VP Finance / Chief Financial Officer
Terri Fowler, Budget Officer

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

DATE: May 17, 2024

BACKGROUND:

The President/Executive Director is presenting the Third Quarter Budget to Actual statements to the Budget, Finance and Audit Committee for review. Staff will present any proposed budget amendments and recommendations to the full Commission for formal action. However, before the discussion commences, it is necessary to provide the backdrop that highlights the initiative undertaken and investments made to reverse the adverse operating trends brought on by the COVID-19 pandemic, from which the properties are slowing emerging.

Towards the end of the quarter, HOC's implemented a new scattered site staffing plan. The immediate outcome was increased leasing activity and management actions that resulted in voluntary move-out's. Lease enforcement provided some tenants with the opportunity to move and avoid eviction. While creating vacancies, the positive is that HOC gained immediate access to units that were was previously non-revenue.

HOC staff are actively managing the waitlist, ensuring that everyone has a fair opportunity to secure housing. This collaborative effort between our dedicated staff and our third-party managers will significantly boost leasing efforts and allow HOC to improve its customer service. Approximately 168 evictions are in process within the HOC-managed portfolio and several hundred more are within the third-party-managed portfolio.

Approximately 168 evictions are in process within the HOC-managed portfolio and several hundred more within the third-party-managed portfolio for non-paying tenants who owe at least $2,000 or more in past due rents. Staff believes the Commission has at least two more quarters of heightened eviction activity as a holdover of COVID. The negative impact on revenue is compounded by the prolonged duration of the court system, which often takes seven to nine months to process a case.

ISSUES FOR CONSIDERATION:

To assess the financial performance of the Housing Opportunities Commission of Montgomery County ("Agency") for the third quarter of FY'24 against the budget for the same period.

BUDGET IMPACT:

None for FY'24.

TIME FRAME:

For informal discussion at the May 17, 2024 Budget, Finance and Audit Committee meeting. For formal Commission action at the June 5, 2024 meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Budget, Finance and Audit Committee join its recommendation to the Commission to accept the Third Quarter FY'24 Budget to Actual Statements.

DISCUSSION – THIRD QUARTER BUDGET TO ACTUAL STATEMENTS

This review of the Budget to Actual Statements for the Agency through the third quarter of FY'24 consists of an overall summary and additional detail on the Opportunity Housing properties, the Development Corporation properties, the Housing Choice Voucher ("HCV") Programs and all Capital Improvements Budgets.

HOC Overall (see Attachment A)

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

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

The Commission approves the revenues, expenses, and unrestricted net cash flow from operations for each fund. Unrestricted net cash flow in each fund is what is available to the Commission to use for other purposes. The FY'24 Third Quarter Operating Budget to Actual Comparison (Attachment A) shows unrestricted net cash flow or deficits for each of the funds. Attachment A also highlights the FY'24 Third Quarter Budget to Actual Comparison for Capital Expenses.

The Agency ended the quarter with a net cash flow shortfall of ($7,163,808). This shortfall resulted in a third quarter budget to actual negative variance of ($9,723,914) when compared to the anticipated third quarter net cash flow surplus of $2,560,106. The primary causes continue to be lower unrestricted cash flow in some of the unrestricted Opportunity Housing properties as a result of property performance (see Opportunity Housing Fund), coupled with lower fee income in the General Fund partially offset by savings in various expense categories in the fund (see General Fund).

Explanations of Major Variances by Fund

The **General Fund** consists of the basic overhead costs for the Agency. This fund ended the period with a deficit of ($6,352,033), which resulted in a negative variance of ($662,654), when compared to the projected deficit of ($5,689,379).

As of March 31, 2024, income in the General Fund was $5,420,379 lower than budgeted and expenses were $4,757,725 lower than budgeted.

The negative income variance was primarily the result of delays in the receipt of the Commitment and Development Fees scheduled for the first nine months of FY 2024. It is important to recognize that the numbers are estimates based on current plans; however, they are subject to changes in the financial market and project costs. The total impact to the FY'24 General Fund due to the size and timing of certain fee income through March 31, 2024 was a shortfall of approximately $4.8M when compared to budget. Staff is actively working on securing additional Development Fees for Georgian Court, Shady Grove Apartments, and Stewartown Homes totaling approximately $2.6M, that were not anticipated in FY'24, by June 30, 2024. These actions will provide just over a $1.0M to the General Fund in FY'24. When combined with the fees already planned for the fourth quarter of FY'24, the negative variance at year-end is projected to be $1.9M. Details are presented below:

- Commitment Fees for the Battery Lane and Bradley Crossing refinancing will not be received until FY'25, based on a shift in the timing, and have been incorporated into the FY'25 Budget that is being developed. They are projected to contribute approximately $791 thousand to the General Fund in FY'25.
- The Commitment and Development Fees for the Metropolitan will not be received until FY'25, based on a shift in the timing of the renovation, and have been incorporated into the FY'25 Budget that is being developed. They are projected to contribute approximately $986 thousand to the General Fund in FY'25.
- Staff are working to receive both fees for Hillandale by the end of FY'24; however, the commitment fee is anticipated to be lower by approximately $671k of which 40% or $268k will negatively impact the General Fund, based on the current interest rate environment, which has resulted in a lower loan amount.
- The Development Fees for Bauer Park have shifted to the end of FY'24 and have also been reduced slightly to account for the final payment of approximately $236 thousand, following the completion issuance of the Internal Revenue Service ("IRS")Form 8609, Low Income Housing Tax Credit Allocation and Certification, now anticipated for September 2024. It is projected to contribute approximately $94 thousand to the General Fund in FY'25.
- The projected Development Fees for the Leggett were delayed and are now anticipated to be received in two equal installments of approximately $796k. Both installments that were originally expected in FY'24 have shifted to FY'25, based on achieving certain milestones, and will be incorporated into the FY'25 Budget that is being developed.
- Stewartown Homes received a portion of the anticipated fees with the final payment of approximately $634k, following the completion issuance of IRS Form 8609, Low Income Housing Tax Credit Allocation and Certification, now projected to be received in early FY'25. The fee for FY'25 will be incorporated into the FY'25 Budget that is being developed. It is projected to contribute approximately $254 thousand to the General Fund in FY'25.
- Finally, Residences on the Lane received approximately $1.4M of Development fees, not anticipated until FY'25, in December 2023 contributing approximately $571 thousand to the FY'24 General Fund. The final payment of $150k, following the completion issuance of IRS Form 8609, Low-Income Housing Credit Allocation and Certification, is now projected to be received in early FY'25 and will be incorporated into the FY'25 Budget that

is being developed. It is projected to contribute $60,000 to the General Fund in FY'25.

There were also lower draws from the Opportunity Housing Reserve Fund ("OHRF") for Real Estate personnel and predevelopment costs.

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

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

Income (the bond drawdowns that finance the administrative costs for these funds) is consistent with the budget. The Multifamily and Single Family Bond Funds experienced positive expense variances of $188,773 and $227,304, respectively, as a result of salary and benefit lapse coupled with savings in legal and financial services.

The Opportunity Housing Fund

Non-payment of rent has continued at some of the properties. Stepped up management actions have resulted in an increase in notices to vacate and voluntary move out's. Because of a backlog in evictions related legal actions across the county, the average length of time to obtain a court date is five to nine months. Asset Management has confirmed that properties have resumed applying late fees and started collection efforts as directed by the Commission. Some tenants have begun making payments, seeking rental assistance, or moving out, which has also resulted in higher vacancy loss. This vacancy is a long-term positive because once the unit is vacated property management can complete repairs for leasing to a new paying tenant. Due to procedural constraints and court timelines, a transitional period with more evictions is expected, leading to increased vacancy loss. This will be managed through proactive resident payments or, if needed, eviction procedures resulting in immediate write-offs and external collections. Asset Management is exploring delinquency trackers for properties with sustained high delinquency levels in partnership with Property Management.

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

The first group includes properties that were budgeted to provide unrestricted net cash flow toward the Agency's FY'24 Operating Budget. This group ended the quarter with cash flow of $2,588,318 or $3,265,954 less than projected.

- **Alexander House Dev Corp** ended the quarter with a deficit of $188,615, which resulted in a negative cash flow variance of $255,258 when compared to the projected surplus of $66,643, primarily from greater than anticipated maintenance and bad debt expense coupled with higher concessions and vacancy loss as well as lower miscellaneous rental fees.
- **The Barclay Dev Corp** negative cash flow was $75,677 less than anticipated based on savings in most expense categories coupled with lower concessions that were partially offset by lower gross rents and higher vacancy loss.
- Cash flow for **Magruder's Discovery Dev Corp** was $300,521 lower than budget primarily based on higher vacancy loss and lower gross rents coupled with overages in maintenance and utility costs partially offset by savings in administrative costs.
- **Metropolitan Dev Corp** experienced a negative cash flow variance of $254,650. The budget did not include debt service payments or replacement reserve contributions after February 2024 based on the planned renovations. The renovations have shifted to FY'25 resulting in the continuation of these expenses. In addition, computer software, electrical contracts, and security expenses were higher than anticipated. The higher expenses were partially offset by lower vacancy loss and parking income as the property began offering short term leases on units held vacant for renovations.
- **Metropolitan Affordable** experienced a negative cash flow variance of $101,222 based on the delay in renovations resulting in the continuation of debt service payments or replacement reserve contributions coupled with overages in most expense categories. The higher expenses were partially offset by slightly lower vacancy loss and higher parking income as the property began offering short term leases on units held vacant for renovations.
- Cash flow at **Montgomery Arms Dev Corp** was $283,370 lower than anticipated primarily due to lower rental gross rents and higher vacancy loss. The property also experienced higher than anticipated bad debt, security, maintenance, and administrative costs that were countered by savings in utilities expenses.
- **MPDU 59** experienced a negative cash flow variance of $59,132 resulting from higher vacancy loss coupled with overages in bad debt and utility expenses partially countered by savings in maintenance and administrative costs.
- **Paddington Square** ended the quarter with a negative cash flow variance of $300,303 largely due to lower gross rents, higher vacancy loss coupled with overages in maintenance and administrative costs partially offset by lower bad debt expense. The overages in maintenance were largely due to higher painting contract costs and restoration expenses following a fire in one of the units. An insurance claim for the fire

was submitted last April. Reimbursements of $85,870 were received in late March 2024 and will be reflected in the FY'24 year-end reporting.

- **Pooks Hill High Rise** had a negative cash flow variance of $128,903 due to higher maintenance, bad debt, and utility costs coupled with higher vacancy loss and lower laundry income partially offset by higher gross rents and savings in administrative cost.
- Cash flow at **Sligo MPDU III** ended the period with a negative cash flow variance of $39,538 due to higher vacancy loss and lower gross rents coupled with higher bad debt and utility expenses partially offset by savings in administrative and maintenance expenses.
- Cash flow for **VPC One** was $1,175,906 lower than budget primarily resulting from higher vacancy loss and lower gross coupled with higher bad debt, utility, and maintenance expenses related to turnover that were partially offset by savings in administrative costs due to staff vacancies.
- **VPC Two** experienced a negative cash flow variance of $435,737 based on higher bad debt, debt service, and utility costs coupled with higher vacancy loss partially offset by savings in maintenance and administrative expenses.

The second group consists of properties whose cash flow will not be used for the Agency's FY'24 Operating Budget. The deficit from this group of Development Corporation properties was $1,133,651 more than budgeted through March 31, 2024.

- The **RAD 6 Dev Corp** properties ended the third quarter with a deficit of ($1,543,059), which resulted in a negative cash flow variance of $1,173,615 when compared to the projected deficit of ($369,444). Collectively, this resulted from lower rental revenue and higher vacancy loss coupled with overages in maintenance and utility expenses. Any deficit at year-end will be covered by unrestricted cash flow from the total portfolio.

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

The first group includes properties that were budgeted to provide unrestricted net cash flow toward the Agency's FY'24 Operating Budget. This group ended the quarter with cash flow of $23,102 which was $2,741,555 less than projected. Continued expenses at the vacated Elizabeth House make up $339,682 of this cumulative negative variance due to final utility payments and maintenance expenses.

Other properties are reporting year-to-date deficits based on property performance primarily due to higher maintenance costs and bad debt expense. This group contains a large segment of our scattered site portfolio. Maintenance staff continue to inspect the units finding deferred maintenance and repairs needing attention. As state previously, the continual non-payment of rent has also increased bad debt expense at some of these properties.

- **MPDU I (64)** experienced a negative cash flow variance of $193,493 because of overages in bad debt, utility, and maintenance costs and slightly higher debt service payments, due to increased rates on the PNC Real Estate Line of Credit ("RELOC"), coupled with lower gross rents and higher vacancy loss, as a result the 10 units held vacant for the recent sell to Habitat, partially offset by savings in administrative expenses.
- **Avondale Apartments** reported a negative cash flow variance of $116,206 based on higher debt service expense, due to increased rates on the PNC RELOC, and higher maintenance, bad debt expenses coupled with lower rental revenue and higher concessions and vacancy loss partially offset by lower administrative expenses.
- **Battery Lane** experienced a negative cash flow variance of $452,542 largely due to higher debt service expenses, due to increased rates on the PNC RELOC, and higher bad debt, maintenance, and utility costs coupled with lower gross rents and higher vacancy loss that was partially offset by savings in administrative expenses.
- **Bradley Crossing** ended the period with a negative variance of $676,222 as a result of overages in utility, administrative and debt service expenses, due to increased rates on the PNC RELOC coupled with lower gross rents and slightly higher concessions that were partially offset by lower vacancy loss, bad debt, and maintenance expenses.
- **Camp Hill Square** experienced a negative cash flow variance of $165,535 because of higher maintenance, bad debt, and administrative expenses coupled with higher vacancy loss that were partially offset by lower utility expenses.
- The deficit at **Holiday Park** was $98,300 more than anticipated as a result of higher utility and maintenance expenses coupled with slightly lower gross rents and higher vacancy loss that were partially offset by lower admin costs.
- **Manchester Manor** reported a deficit of $183,263 resulting in a negative cash flow variance of $93,782 due to higher vacancy loss coupled with overages in bad debt, administrative, maintenance, and utility expenses partially offset by small savings in security costs.
- **McHome** had a negative cash flow variance of $39,893 due to lower gross rents and higher vacancy loss coupled with higher maintenance, bad debt, and utility costs partially offset by savings in administrative expenses.
- **McKendree** experienced a negative cash flow variance of $52,913 because of overages in each major expense category coupled with unanticipated vacancy loss.
- **MHLP VII** reported a negative cash flow variance of $45,406 as a result of higher vacancy loss coupled with overages in utility, maintenance and debt service payments, due to increased rates on the PNC RELOC, that were partially offset by lower than anticipated bad debt expense.
- The shortfall for **MHLP IX – Pond Ridge** was $69,838 less than budget largely based on higher maintenance, bad debt, and utility expenses partially offset by savings in administrative costs and lower vacancy loss.
- Cash flow for **MHLP X** was $37,175 more than budget as a result of as a result of lower debt service payments resulting from the refinance that occurred in August resulting in no payment for September and lower administrative cost partially offset by higher bad

debt, maintenance, and utility costs coupled with lower gross rents and higher vacancy loss.

- **Pooks Hill Mid-Rise** experienced a negative cash flow variance of $101,931 primarily as a result of overages in turnover maintenance, utility, and security costs coupled with rental income and higher vacancy loss and concessions that were partially offset by savings in administrative expenses.
- **Strathmore Court** reported a negative cash flow variance of $125,375 as a result of higher vacancy loss with overages in administrative, utility, maintenance, and bad debt expenses partially offset by slightly higher gross rents.
- Cash flow for **TPP LLC Timberlawn** was $36,338 more than anticipated due to savings in administrative and bad debt expenses coupled with lower vacancy loss that were partially offset by lower gross rents and overages in utility and maintenance costs.
- **Westwood Towers** experienced a negative cash flow variance of $200,997 mainly due to the cost of the fire watch, required while the fire panel is being replaced, exceeding the original estimate based on increased coverage requirements by the Count Fire Marshall following the power interruption in January that required evacuation of the building. There were also overages in administrative and maintenance expenses coupled with higher vacancy loss that are partially offset by lower utility expenses and bad debt.
- Cash flow at **The Willows** was $43,696 lower than anticipated due to overages in maintenance, utility, tenant services, and insurance expenses that were partially offset by higher gross rents.

The second group consists of properties whose cash flow will not be used for the Agency's FY'24 Operating Budget. Some of these properties have legal restrictions on the use of cash flow; others may have needs for the cash flow. This group of properties ended the quarter with a cash flow deficit of $2,479,386 resulting in a negative variance of $2,636,491. The majority of the variance is from **Cider Mill** which reported a negative cash flow variance of $2,154,852 due to overages in bad debt, maintenance, administrative, utility, and security costs coupled with higher vacancy loss. Staff is working to reduce the current deficit of $1,880,136 through active lease enforcement and lease-up as well as reviewing maintenance expenses for possible capital expenditures that should be reclassed; however, any final shortfall at year-end will have to be covered by the Agency as the property does not have sufficient cash to address the deficit.

Similar to the unrestricted properties in this chart, several properties reported a deficit at the end of the period with major contributors of higher maintenance, utility and bad debt expense coupled with higher vacancy loss at some of the properties.

- The demolition of **The Ambassador** was completed in April of 2020. The property experienced expenses of $71,398 driven by interest paid on the outstanding debt on the PNC RELOC, filing fees for the tax return and personal property taxes. There are sufficient reserves at the property to cover the costs.
- **Brooke Park** experienced a negative cash flow variance of $78,663, mainly resulting from

a delay in occupying the units post renovation coupled with higher maintenance and utility expenses partially offset by savings in administrative and security expenses.

- **Brookside Glen** reported a negative cash flow variance of $162,528 at the end of the quarter due to lower gross rents and higher vacancy loss coupled with higher maintenance repair expenses that were partially offset by savings in administrative, utility, and bad debt expense.
- **Brookville Road** ended the period with negative cash flow of $166,219 but achieved a positive variance of $116,519 mostly as a result of lower than budgeted interest payments on the PNC RELOC. There is sufficient cash from prior periods to cover the current period loss at the property.
- **Diamond Square** ended the period with a negative cash flow variance of $105,373 primarily resulting from higher bad debt and administrative costs coupled with lower gross rents and higher utility allowances that were partially offset by savings in maintenance and utility expenses.
- Cash flow for the **NCI** and **NSP** units collectively were $48,819 and $21,051 lower than budget, respectively, due to two of the fourteen NCI units remaining vacant for the entire period and two more vacant for six and seven months of the period coupled with overages in maintenance and bad debt expenses, and two of the seven NSP units remaining vacant.
- **State Rental Combined** experienced a negative cash flow variance of $126,423 due to higher vacancy loss and lower gross rents coupled with overages in bad debt and utility expenses that were partially offset by lower maintenance and administrative costs.

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

- The Housing Choice Voucher Program ("HCVP") ended the third quarter with a surplus of $2,047,815. This is comprised of an administrative surplus of $2,034,050 and Housing Assistance Payment ("HAP") revenue that exceeded HAP expenses by $13,765. The HAP surplus will be restricted to the HCVP reserve known as the Net Restricted Position ("NRP") for future HPA payments. The administrative surplus was the result of higher than anticipated administrative fee income coupled with savings in administrative expenses due largely to staff turnover. The higher administrative fee income was primarily the result of higher utilization, an increased proration rate of 97.38% compared to the budgeted rate of 89.5%, and unanticipated income from two new programs for Stability and Homeless Vouchers.

<u>Tax Credit Partnerships</u>

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

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

Attachment E is a chart of the Capital Improvements Budget for FY'24. The chart is grouped in two sections – General Fund and Opportunity Housing properties. This report is being presented for information only. Most of the variances in the capital budgets reflect the timing of expenditures. Capital projects are long-term; therefore, it is difficult to analyze each project on a quarterly basis. We will keep the Commission informed of any major issues or deviations from the planned Capital Improvements Budget.

There were several properties with nominal unplanned capital expenditures. In addition,

- **Avondale Apartments** exceeded its capital budget as a result of unplanned kitchen and bath work as well flooring and appliance replacements
- **Battery Lane** exceeded its capital budget as a result of unplanned painting, flooring replacements, and sewage repairs.
- **Bradley Crossing** exceeded its capital budget as a result of unanticipated carpet replacements, boiler repairs after a burst pipe, and replacement of HVAC units and the air handler.
- **Brookside Glen** exceeded its capital budget as a result of appliance replacements.
- **Glenmont Crossing** exceeded its capital budget as a result of higher than expected appliance, flooring, and HVAC replacements.
- **Holiday Park** exceeded its capital budget due to unanticipated replacements of flooring, HVAC, and water heater units.
- **Jubilee Horizon Court** experienced unanticipated capital expenditures as a result of a water leak coupled with replacement of railings for the wheelchair ramp.
- **Ken Gar** experienced unanticipated capital expenditures for window, roofing, flooring and appliance replacements.
- Based on the impending renovations both the **Metropolitan Dev Corp** and **Metropolitan Affordable** had limited capital budgets planned for FY'24. Due to the delay in the renovations, both properties have exceeded their respective capital budget as a result of higher HVAC, appliance, and flooring replacements, and the installation of rolling grille.
- **Pooks Hill Highrise** exceeded its capital budget primarily due to restoration of three elevators coupled with higher than anticipated appliance, flooring, and HVAC replacements.
- **Pooks Hill Midrise** exceeded its capital budget due to unanticipated replacements of flooring, HVAC units, and appliances.
- **Sligo MPDU III** exceeded its capital budget as a result of unanticipated kitchen and bathroom work, and HVAC replacements.
- **Towne Center Place** exceeded its capital budget as a result of unanticipated appliance and flooring replacements.
- **Washington Square** exceeded its capital budget due to flooring and appliance replacements and a full renovation of one unit.
- Finally, **Westwood Tower** exceeded its capital budget as a result of door repairs, water

mitigation in the garage, unexpected flooring and appliance replacements, and replacement of the fire panel that was authorized by the Commission in late 2023.

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

FY 2024 Third Quarter Operating Budget to Actual Comparison

	Unrestricted Net Cash Flow (9 Months) Budget	(9 Months) Actual	Variance
General Fund			
General Fund	($5,689,379)	($6,352,033)	($662,654)
Administration of Multifamily and Single Family Fund			
Multifamily Fund	$652,057	$840,830	$188,773
Draw from / (Restrict to) Multifamily Bond Fund	($652,057)	($840,830)	($188,773)
Single Family Fund	$428,429	$655,733	$227,304
Draw from / (Restrict to) Single Family Bond Fund	($428,429)	($655,733)	($227,304)
Opportunity Housing Fund			
Opportunity Housing Properties	$2,764,657	$23,102	($2,741,555)
Development Corporation Property Income	$5,854,272	$2,588,318	($3,265,954)
Restricted Development Corporations with Deficits	($369,444)	($3,423,195)	($3,053,751)
OHRF			
OHRF Balance	$7,774,716	$937,694	($6,837,022)
Excess Cash Flow Restricted	($7,774,716)	($937,694)	$6,837,022
Draw from existing funds	$0	$0	$0
Net -OHRF	**$0**	**$0**	**$0**
SUBTOTAL - General Fund, Multifamily, Single Family, Opportunity Housing	**$2,560,106**	**($7,163,808)**	**($9,723,914)**
Public Fund			
(1) Housing Choice Voucher Program HAP	($1,910,709)	$13,765	$1,924,474
(2) Housing Choice Voucher Program Admin	$38,650	$2,034,050	$1,995,400
Total -Public Fund	**($1,872,059)**	**$2,047,815**	**$3,919,874**
Public Fund - Reserves			
(1) Draw from / Restrict to HCV Program Cash Reserves	$1,910,709	($13,765)	($1,924,474)
(2) Draw from / Restrict to HCV Program Excess Admin Fee	($38,650)	($2,034,050)	($1,995,400)
SUBTOTAL - Public Funds	**$0**	**$0**	**$0**
TOTAL - All Funds	**$2,560,106**	**($7,163,808)**	**($9,723,914)**

FY 2024 Third Quarter Operating Budget to Actual Comparison

	Capital Expenses (12 Months) Budget	(9 Months) Actual	Variance
General Fund			
880 Bonifant	$50,000	$4,483	$45,517
East Deer Park	$165,817	$0	$165,817
Kensington Office	$100,000	$33,123	$66,877
Information Technology	$743,000	$336,674	$406,326
Opportunity Housing Fund	$8,416,685	$4,539,994	$3,876,691
TOTAL - All Funds	**$9,475,502**	**$4,914,274**	**$4,515,711**

FY 2024 Third Quarter Operating Budget to Actual Comparison

Development Corp Properties - Net Cash Flow

	(9 Months) Net Cash Flow Budget	Variance Income	Variance Expense	(9 Months) Net Cash Flow Actual	Variance
Properties with unrestricted cash flow for FY 2024 operating budget					
Alexander House Dev Corp	$66,643	($29,842)	($225,416)	($188,615)	($255,258)
The Barclay Dev Corp	($101,583)	($20,738)	$96,415	($25,906)	$75,677
Glenmont Crossing Dev Corp	$373,456	($22,874)	$20,109	$370,691	($2,765)
Glenmont Westerly Dev Corp	$180,586	($29,059)	$15,845	$167,371	($13,215)
Magruder's Discovery Dev Corp	$535,041	($235,664)	($64,857)	$234,520	($300,521)
The Metropolitan Dev Corp	$1,693,363	$133,259	($387,909)	$1,438,713	($254,650)
Metropolitan Affordable	($245,055)	$29,774	($130,996)	($346,277)	($101,222)
Montgomery Arms Dev Corp	$315,759	($98,099)	($185,272)	$32,389	($283,370)
MPDU II (59) Dev Corp	$235,385	($59,507)	$376	$176,253	($59,132)
Paddington Square Dev Corp	$384,607	($91,949)	($208,354)	$84,304	($300,303)
Pooks Hill High-Rise Dev Corp	$417,820	($32,955)	($95,949)	$288,917	($128,903)
Scattered Site One Dev Corp	$34,739	($133,294)	$136,316	$37,761	$3,022
Scattered Site Two Dev Corp	($71,316)	($89,854)	$95,721	($65,449)	$5,867
Sligo MPDU III Dev Corp	$8,059	($13,338)	($26,201)	($31,479)	($39,538)
VPC One Dev Corp	$1,207,179	($1,003,799)	($172,107)	$31,273	($1,175,906)
VPC Two Dev Corp	$819,589	($226,750)	($208,987)	$383,852	($435,737)
Subtotal	**$5,854,272**	**($1,924,689)**	**($1,341,266)**	**$2,588,318**	**($3,265,954)**
Properties with restricted cash flow (external and internal)					
MetroPointe Dev Corp	($97,778)	$2,219	$19,202	($76,356)	$21,422
Oaks at Four Corners Dev Corp	$97,900	$4,515	$14,027	$116,442	$18,542
RAD 6 Dev Corp Total	**($369,444)**	**($528,406)**	**($645,209)**	**($1,543,059)**	**($1,173,615)**
Ken Gar Dev Corp	$14,519	($62,996)	($71,004)	($119,480)	($133,999)
Parkway Woods Dev Corp	$19,028	($66,887)	($12,130)	($59,989)	($79,017)
Sandy Spring Meadow Dev Corp	$17,625	($85,895)	($126,449)	($194,719)	($212,344)
Seneca Ridge Dev Corp	($320,513)	($143,545)	($47,115)	($511,173)	($190,660)
Towne Centre Place Dev Corp	$11,740	($110,858)	($204,922)	($304,040)	($315,780)
Washington Square Dev Corp	($111,843)	($58,225)	($183,589)	($353,658)	($241,815)
Subtotal	**($369,322)**	**($521,672)**	**($611,980)**	**($1,502,973)**	**($1,133,651)**
TOTAL ALL PROPERTIES	**$5,484,950**	**($2,446,361)**	**($1,953,246)**	**$1,085,345**	**($4,399,605)**

FY 2024 Third Quarter Operating Budget to Actual Comparison

For Opportunity Housing Properties - Net Cash Flow

	(9 Months) Net Cash Flow Budget	Variance Income	Variance Expense	(9 Months) Net Cash Flow Actual	Variance
Properties with unrestricted cash flow for FY 2024 operating budget					
MPDU I (64)	$82,803	($57,132)	($136,361)	($110,690)	($193,493)
Avondale Apartments	$33,863	($43,589)	($72,617)	($82,343)	($116,206)
Barclay Affordable	$28,708	$22,972	($7,842)	$43,837	$15,129
Battery Lane	$407,400	($234,169)	($218,373)	($45,142)	($452,542)
Bradley Crossing	$1,106,230	($294,843)	($381,379)	$430,008	($676,222)
Camp Hill Square	$28,389	($24,205)	($141,330)	($137,146)	($165,535)
Chelsea Towers	$89,430	($13,784)	$10,098	$85,744	($3,686)
Day Care at Lost Knife Road	($24,600)	$0	($6,884)	($31,484)	($6,884)
Elizabeth House Interim RAD	$0	$11,931	($351,613)	($339,682)	($339,682)
Fairfax Court	($3,626)	$6,492	$21,764	$24,631	$28,257
Georgian Court Affordable	$0	$0	($265)	($265)	($265)
Holiday Park	($43,732)	($8,077)	($90,223)	($142,032)	($98,300)
Holly Hall Interim RAD	$0	$0	$0	$0	$0
Jubilee Falling Creek	($1,475)	($918)	($5,973)	($8,366)	($6,891)
Jubilee Hermitage	($19,395)	($583)	$4,895	($15,083)	$4,312
Jubilee Horizon Court	($233)	($904)	($17,215)	($18,352)	($18,119)
Jubilee Woodedge	($11,205)	($215)	$3,976	($7,444)	$3,761
King Farm Village	$2,910	($1,082)	($4,045)	($2,217)	($5,127)
Manchester Manor	($89,481)	($36,245)	($57,537)	($183,263)	($93,782)
The Manor at Cloppers Mill	$0	$0	$0	$0	$0
The Manor at Colesville	$0	$0	$0	$0	$0
The Manor at Fair Hill Farm	$0	$0	$0	$0	$0
McHome	$25,567	($30,812)	($9,082)	($14,326)	($39,893)
McKendree	$31,316	($13,397)	($39,516)	($21,597)	($52,913)
MHLP VII	($28,822)	($60,874)	$15,468	($74,228)	($45,406)
MHLP VIII	$49,681	$15,726	($34,624)	$30,783	($18,898)
MHLP IX Pond Ridge	($95,701)	$20,224	($90,062)	($165,539)	($69,838)
MHLP IX Scattered Sites	($140,222)	$32,022	($29,417)	($137,617)	$2,605
MHLP X	($22,396)	($28,797)	$65,973	$14,779	$37,175
MPDU 2007 Phase II	$14,606	($11,230)	($12,183)	($8,806)	($23,412)
Olney Sandy Spring Road	$0	$125	($2,388)	($2,263)	($2,263)
Pooks Hill Mid-Rise	$183,154	($33,823)	($68,109)	$81,223	($101,931)
Shady Grove Apts	$0	$0	$0	$0	$0
Stewartown Affordable	$0	$0	$0	$0	$0
Strathmore Court	$242,885	($15,315)	($110,060)	$117,510	($125,375)
TPP LLC Pomander Court	($20,752)	($1,069)	$33,293	$11,472	$32,224
TPP LLC Timberlawn	$441,476	$4,923	$31,415	$477,814	$36,338
Westwood Tower	$287,618	($69,499)	($131,497)	$86,621	($200,997)
The Willows	$210,261	$46,643	($90,339)	$166,565	($43,696)
Subtotal	**$2,764,657**	**($819,504)**	**($1,922,052)**	**$23,102**	**($2,741,555)**
Properties with restricted cash flow (external and internal)					
The Ambassador	$0	$0	($71,398)	($71,398)	($71,398)
Brooke Park	$46,383	($73,158)	($5,506)	($32,280)	($78,663)
Brookside Glen (The Glen)	$100,976	($134,506)	($28,022)	($61,552)	($162,528)
Brookville Road	($282,738)	$1,063	$115,456	($166,219)	$116,519
CDBG Units	$8,502	($821)	$3,699	$11,380	$2,878
Cider Mill Apartments	$274,716	($876,721)	($1,278,131)	($1,880,136)	($2,154,852)
Dale Drive	($10,826)	$205	$4,146	($6,475)	$4,351
Diamond Square	$167,786	($24,305)	($81,068)	$62,413	($105,373)
NCI Units	$24,366	($28,943)	($19,876)	($24,453)	($48,819)
NSP Units	$22,430	($26,269)	$5,218	$1,379	($21,051)
Paint Branch	$42,198	$51,701	($33,005)	$60,894	$18,696
Southbridge	$62,299	($7,397)	($2,430)	$52,471	($9,828)
State Rental Combined	($298,987)	($71,528)	($54,895)	($425,410)	($126,423)
Subtotal	**$157,105**	**($1,190,679)**	**($1,445,812)**	**($2,479,386)**	**($2,636,491)**
TOTAL ALL PROPERTIES	**$2,921,762**	**($2,010,183)**	**($3,367,864)**	**($2,456,284)**	**($5,378,046)**

FY 2024 Third Quarter Operating Budget to Actual Comparison

For HUD Funded Programs

	(9 Months) Budget	(9 Months) Actual	Variance
Housing Choice Voucher Program			
HAP revenue	$91,229,945	$93,554,953	$2,325,008
HAP payments	$93,140,654	$93,541,188	$400,534
Net HAP	**($1,910,709)**	**$13,765**	**$1,924,474**
Admin.fees & other inc.	$8,448,636	$9,687,377	$1,238,741
Admin. Expense	$8,409,986	$7,653,327	$756,659
Net Administrative	**$38,650**	**$2,034,050**	**$1,995,400**
Net Income	**($1,872,059)**	**$2,047,815**	**$3,919,874**

Attachment D

FY 2024 Third Quarter Operating Budget to Actual Comparison

For Capital Improvements

	(12 Months) Budget	(9 Months) Actual	Variance
General Fund			
880 Bonifant	$50,000	$4,483	$45,517
East Deer Park	$165,817	$0	$165,817
Kensington Office	$100,000	$33,123	$66,877
Information Technology	$743,000	$336,674	$406,326
Subtotal	**$1,058,817**	**$374,280**	**$684,537**
Opportunity Housing			
Alexander House Dev Corp	$220,700	$75,344	$145,356
Avondale Apartments	$18,148	$31,891	($13,743)
The Barclay Dev Corp	$176,508	$67,143	$109,365
Barclay Affordable	$187,440	$52,720	$134,720
Battery Lane	$44,000	$68,647	($24,647)
Bradley Crossing	$86,898	$117,978	($31,080)
Brooke Park	$2,400	$1,246	$1,154
Brookside Glen (The Glen)	$110,654	$122,742	($12,088)
Camp Hill Square	$38,600	$40,231	($1,631)
CDBG Units	$6,324	$2,429	$3,895
Chelsea Towers	$13,800	$8,134	$5,666
Cider Mill Apartments	$1,987,388	$584,501	$1,402,887
Day Care at 9845 Lost Knife Road	$0	$0	$0
Dale Drive	$8,700	$1,698	$7,002
Diamond Square	$156,628	$26,634	$129,994
Elizabeth House Interim RAD	$0	$203	($203)
Fairfax Court	$133,152	$59,119	$74,033
Glenmont Crossing Dev Corp	$39,997	$89,049	($49,052)
Glenmont Westerly Dev Corp	$56,759	$58,550	($1,791)
Holiday Park	$9,615	$24,119	($14,504)
Jubilee Falling Creek	$0	$518	($518)
Jubilee Hermitage	$600	$0	$600
Jubilee Horizon Court	$0	$14,821	($14,821)
Jubilee Woodedge	$600	$3,867	($3,267)
Ken Gar Dev Corp	$0	$10,381	($10,381)
King Farm Village	$0	$23	($23)
Magruder's Discovery Dev Corp	$82,200	$83,688	($1,488)
Manchester Manor	$68,580	$45,445	$23,135
McHome	$27,264	$15,118	$12,146
McKendree	$32,184	$32,216	($32)
MetroPointe Dev Corp	$187,634	$60,768	$126,866
The Metropolitan Dev Corp	$81,302	$100,905	($19,603)
Metropolitan Affordable	$7,250	$34,745	($27,495)
Montgomery Arms Dev Corp	$87,000	$86,827	$173
MHLP VII	$28,470	$27,342	$1,128
MHLP VIII	$61,593	$40,902	$20,691
MHLP IX - Pond Ridge	$94,588	$32,402	$62,186
MHLP IX - Scattered Sites	$73,596	$62,633	$10,963
MHLP X	$115,548	$34,689	$80,859
MPDU 2007 Phase II	$2,540	$1,023	$1,517
MPDU I (64)	$67,416	$40,989	$26,427
MPDU II (59) Dev Corp	$74,275	$10,337	$63,938
Oaks at Four Corners Dev Corp	$153,080	$56,652	$96,428
NCI Units	$8,484	$8,216	$268
NSP Units	$5,004	$6,705	($1,701)
Paddington Square Dev Corp	$211,614	$143,883	$67,731
Paint Branch	$15,480	$16,825	($1,345)
Parkway Woods Dev Corp	$63,850	$8,205	$55,645
Pooks Hill High-Rise Dev Corp	$142,400	$210,752	($68,352)
Pooks Hill Mid-Rise	$21,900	$70,504	($48,604)
Sandy Spring Meadow Dev Corp	$38,075	$19,725	$18,350
Scattered Site One Dev Corp	$227,031	$115,841	$111,190
Scattered Site Two Dev Corp	$73,110	$43,183	$29,927
Seneca Ridge Dev Corp	$72,216	$42,903	$29,313
Sligo MPDU III Dev Corp	$17,136	$27,777	($10,641)
Southbridge	$27,996	$17,018	$10,978
State Rental Combined	$589,788	$179,110	$410,678
Strathmore Court	$994,871	$329,421	$665,450
Towne Centre Place Dev Corp	$23,500	$39,641	($16,141)
TPP LLC Pomander Court	$23,300	$23,945	($645)
TPP LLC Timberlawn	$271,370	$31,550	$239,820
VPC One Dev Corp	$257,600	$132,197	$125,403
VPC Two Dev Corp	$200,292	$115,331	$84,961
Washington Square Dev Corp	$45,796	$76,902	($31,106)
Westwood Tower	$250,000	$382,981	($132,981)
The Willows	$292,441	$268,710	$23,731
Subtotal	**$8,416,685**	**$4,539,994**	**$3,876,691**
TOTAL	**$9,475,502**	**$4,914,274**	**$4,561,228**

Attachment E

M E M O R A N D U M

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

VIA: Chelsea Andrews, President/Executive Director

FROM: Staff: Timothy Goetzinger, Senior VP Finance / Chief Financial Officer
Terri Fowler, Budget Officer

RE: **Calendar Year 2024 (CY'24) Budget Amendment for MetroPointe (Wheaton Metro Limited Partnership):** Presentation of CY'24 Budget Amendment for MetroPointe (Wheaton Metro Limited Partnership)

DATE: May 17, 2024

BACKGROUND:
As Managing General Partner, HOC has a fiduciary responsibility for each of the Low Income Housing Tax Credit Partnerships ("Tax Credit Partnerships"). HOC's 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 15, 2023, the Commission adopted the CY'24 budgets for the Tax Credit Partnerships that owned the sixteen (16) multifamily properties, and The Lindley and the Laureate, two entities structured as Limited Liability Companies ("LLCs"), which operate on a calendar year basis.

ISSUES FOR CONSIDERATION:

- **MetroPointe (Wheaton Metro Limited Partnership):** When the CY'24 budgets were adopted, it was anticipated that the limited partner for Wheaton Metro LP (MetroPointe) would be assigning its ownership interests in the partnership to HOC before the calendar year began; therefore, a budget was not adopted for the limited partnership. The closing of this transaction was delayed as we awaited lender consents to transfer from two lenders: The State of Maryland and Montgomery County, Maryland. At this time, the State and the County each have all the required documents to process their consent and we are in constant communication with them. It is anticipated that the transfer will now occur by June 30, 2024. This requested budget amendment incorporates a budget period for January 1 through June 30, 2024.

  Once the transfer has occurred, a fiscal year budget amendment will be presented to the Commission to approve the incorporation of the property into the FY'25 Agency Budget as an Opportunity Housing property with extended affordability, pursuant to the Extended Use Covenant.

- The table below summarizes the proposed CY'24 six (6) month budget for Wheaton Metro LP.

CY 2024 MetroPointe (Wheatoin Metro LP) Budget Amendment

	1/1/2024 - 6/30/2024
Total Revenue	**$424,821**
Gross Rents	$442,579
Vacancy Loss	($21,908)
Other Revenue	$4,150
Total Operating Expenses	**$254,214**
Administrative	$134,616
Utilities	$27,292
Maintenance	$58,641
Other	$33,665
Net Operating Income	**$170,607**
Annual RfR Contribution	$14,995
Partnership Management Fee	$10,032
Asset Management Fee	$4,014
Excess Cash Flow Restricted	$30,821
Annual Debt Service	$110,745
Total Non-Operating Expenses	**$170,607**
Cash Flow / (Deficit)	**$0**
Capital	**$52,160**

BUDGET IMPACT:
Approval by the Commission will establish this as the CY'24 operating and capital budget for Wheaton Metro Limited Partnership for January 1, 2024 through June 30, 2024.

TIME FRAME:
For informal discussion at the May 17, 2024 Budget, Finance and Audit Committee meeting. For formal Commission action at the June 5, 2024 meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:
Staff requests that the Budget, Finance and Audit Committee join its recommendation to the full Commission for approval of the proposed CY'24 Wheaton Metro Limited Partnership Budget Amendment.

M E M O R A N D U M

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

VIA: Chelsea Andrews, President/Executive Director

FROM: Staff: Timothy Goetzinger, Senior VP Finance / Chief Financial Officer
Terri Fowler, Budget Officer

RE: **Calendar Year 2024 (CY'24) Budget Amendment for The Leggett (Elizabeth House III Limited Partnership):** Presentation of CY'24 Budget Amendment for The Leggett (Elizabeth House III Limited Partnership)

DATE: May 17, 2024

BACKGROUND:
As Managing General Partner, HOC has a fiduciary responsibility for each of the Low Income Housing Tax Credit Partnerships ("Tax Credit Partnerships"). HOC's 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 15, 2023, the Commission adopted the CY'24 budgets for the Tax Credit Partnerships that owned the sixteen (16) multifamily properties, and The Lindley and the Laureate, two entities structures as Limited Liability Companies ("LLCs"), which operate on a calendar year basis.

ISSUES FOR CONSIDERATION:

- **The Leggett (Elizabeth House III LP):** The Leggett is owned by Elizabeth House III LP, which is ultimately controlled by HOC. The Leggett consists of 267 units that will serve seniors aged 62 years and older.

  The property development proforma for the Leggett included a $500,000 annual ground lease payment as part of the transaction for The Leggett and the adjoining County recreational center. The ground lease is between Elizabeth House III Limited Partnership and Acorn Storage No. 1 LLC. The ground lease payment was initially covered by the development budget through April 2024; however, starting in May 2024, the responsibility for the monthly ground lease payment of $41,666.67 is to be paid by Elizabeth House III LP property operations. Therefore, a budget amendment is required for CY'24 in the amount of $333,333 to account for eight months of payments at $41,666.67. This requested budget amendment will increase expenses by $333,333 and reduce the budgeted restricted cash flow of $2,510,331 by the same amount. Actual cash flow for the first four months of CY'24 is already sufficient to cover the addition of the ground lease.

BUDGET IMPACT:

Approval by the Commission will amend the CY'24 operating budget for Elizabeth House III Limited Partnership.

TIME FRAME:

For informal discussion at the May 17, 2024 Budget, Finance and Audit Committee meeting. For formal Commission action at the June 5, 2024 meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff requests that the Budget, Finance and Audit Committee join its recommendation to the full Commission for approval of the proposed CY'24 Elizabeth House III Limited Partnership Budget Amendment.

M E M O R A N D U M

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

VIA: Chelsea Andrews, President/Executive Director

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

RE: **Fiscal Year 2024 (FY'24) Third Quarter Un-Audited Financial Statements:**
Presentation of the Un-Audited Financial Statements for the Third Quarter Ended March 31, 2024

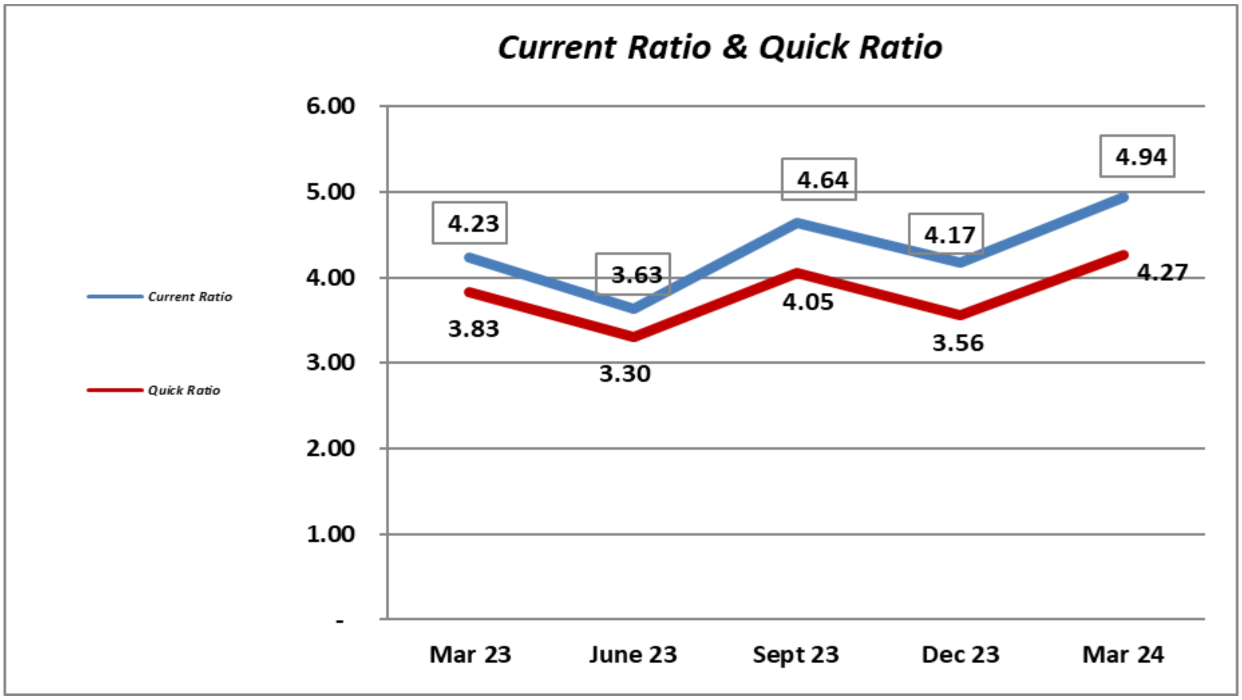
DATE: May 17, 2024

Attached please find the un-audited consolidated financial statements for the Housing Opportunities Commission of Montgomery County ("HOC" or "Commission") for the third quarter ended March 31, 2024.

Financial Highlights:

- The Commission's net position decreased by $5.0 million or 1.68% from last year attributed to the net operating loss during the third quarter ending March 31, 2024. Total assets increased to $2.1B or up $26.9M from fiscal year end 2023 due primarily to an increase in restricted long-term investments and mortgage and construction loans receivables associated with the issuance of new bonds. After adjusting the net loss for the unrealized gains/(losses) on investment and capital distributions, HOC ended the third quarter with an adjusted net loss of $3.4 million compared to an adjusted net loss of $0.3 million for the same period last fiscal year.

- The Commission's current ratio (ratio of current assets to current liabilities) increased from 3.63 in June 2023 to 4.94 in March 2024. The quick ratio (the ratio is an indicator of liquidity, reflecting current assets that can be converted to cash within 90 days) also increased from 3.30 in June 2023 to 4.27 in March 2024. The increase is mainly attributed to the decrease in the current bond payables driven by scheduled bond redemptions within both bond funds, along with the decrease in the Multifamily Bond Fund undrawn proceeds payable to HOC at Westside Shady Grove LLC ("Westside Shady Grove") and HOC at Georgian Court LLC ("Georgian Court").



- As previously mentioned, the Commission's total assets excluding the deferred outflows of resources increased by $26.9 million or 1.33% since June 30, 2023. This is largely due to an increase in the restricted long-term investments, mortgage and construction loans receivable, advances to component units, accounts receivable and other assets, partially offset by a decrease in the restricted and unrestricted cash and cash equivalents.

- The increase in **restricted long-term investments** is largely attributed to the investment of the undrawn bond proceeds from the issuance of the Multiple Purpose ("MP") 2023 Series C bonds for the HOC Headquarters and mortgage-backed securities ("MBS") purchases under the Single Family Fund.

- The increase in **mortgage and construction loans receivable** is mainly due to advances from the PNC Real Estate Line of Credit ("RELOC") for HOC at Willow Manor LLC, EH III LP ("The Leggett"), South County Regional Recreation and Aquatic Center ("SCRRAC") as well as additional draws from the OHRF for HOC at Shady Grove LLC, Hillandale Gateway LLC, HOC at Georgian Court LLC, and HOC equity contribution to CCL Multifamily LLC ("The Lindley"). This increase is partially offset by the repayment of RELOC loans for HOC at Upton II ("Upton/ Residence on the Lane").

- The increase in **accounts receivable and other assets** is largely due to General Fund prepaid insurance, prepaid expenses for Yardi license and maintenance fees and asset management fees receivables and Opportunity Housing Fund rent receivables, insurance claims receivables and prepaid mortgage insurance and taxes.

- The increase in **advances to component units** is primarily driven by the timing of the payment and the reimbursement of capital and operating expenditures at several properties through the Central Disbursement System. Major contributors consist of Elizabeth House III LP ("EH III/The Leggett"), South County Regional Recreation and Aquatic Center ("SCRRAC"), HOC at 11250 Veirs Mill Road LLC, HOC at Stewartown Homes LLC, Bauer Park Apartments LP, Town Center Apartments and Arcola Towers RAD LP. The increase is partially offset by a decrease in advances to Hillandale Gateway LLC, Tanglewood and Sligo LP, HOC at Georgian Court LLC and HOC at Willow Manor LLC.

- The decrease in **restricted cash and cash equivalents** is mainly due to a decrease in the Single Family Fund MBS transactions partially offset by an increase in undrawn bond proceeds for HOC Headquarters within the Multifamily Fund.

- The decrease in **unrestricted cash and cash equivalents** is due to the following:

    - Within the Opportunity Housing Reserve Fund ("OHRF"), the decrease is primarily driven by advances for renovation and predevelopment expenses at HOC at Shady Grove LLC, Hillandale Gateway LLC, HOC at Georgian Court LLC, HOC Headquarters, and Sandy Spring Missing Middle, as well as funding of HOC equity contribution to CCL Multifamily LLC ("The Lindley").
    - The General Fund also contributed to the decrease mainly attributed to increase in advances to several component units due to timing, but this was partially offset by reimbursements from General Fund Operating Reserve to balance FY'23 year-end performance, the Housing Choice Voucher Program for administrative expenses, OHRF for Real Estate Division personnel and consulting expenses and FY'24 operating budget drawdown from both bond funds.
    - Furthermore, the unrestricted cash at the property level decreased as well, attributed primarily to Cider Mill Apartments, HOC at Bradley Crossing LLC, HOC at Battery Lane LLC, Brookside Glen LP, TPP-Timberlawn, Diamond Square LP, Southbridge and Montgomery Arms Development Corporation.

- The Multifamily Bond Fund issued a total of $135 million new bonds under the MP 2023 Series A&B Bonds for VPC One Corporation ("VPC1"), VPC Two Corporation ("VPC2"), Scattered Site Two Development Corporation ("Scattered Site2") and Montgomery Homes Limited Partnership X ("MHLP X") and MP 2023 Series C for HOC Headquarters.

The Multifamily Bond Fund also redeemed and retired bonds for $11.7 million under the Multifamily Housing Development Bonds (1996 Indenture) and $0.6 million under the Stand Alone 1998 Issue.

- The Single Family Bond Fund redeemed and retired bonds under the 1979 Indenture for $25.8 million, the 2019 Indenture for $2.8 million and the 2009 Indenture for $0.6 million.

- The amount of U.S. Department of Housing and Urban Development ("HUD") Housing Choice Voucher Program, Housing Assistance Revenue received by the Commission increased by 6.13% from $97.6 million in FY'23 to $103.6 million in FY'24.

Overall Agency Net Income (Loss)

The Commission has a net loss of $5 million as of the third quarter ending March 31, 2024, compared to a net loss of $5.6 million for the same period last year. However, after adjusting the net loss for the recording of unrealized gains/(losses) on investments and capital distributions, HOC ended the fiscal period with a net loss of $3.4 million as compared to a net loss of $0.3 million for the same period last fiscal year.

		FY 2024		FY 2023
Net Income (Loss)	$	(4,975,280)	$	(5,558,487)
Less:				
Unrealized Gains/(Losses) on Investments		1,586,110		4,663,639
Capital contributions/9distributions)		-		636,046
Adjusted Net Income (Loss)	$	(3,389,170)	$	(258,802)
Amount of (Decrease)	$	(3,130,368)		

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

Major contributors to HOC's adjusted net loss of $3.4 million as of the third quarter ending March 31, 2024 are provided in the below chart along with a comparison of the fiscal year ending March 31, 2023:

	Fiscal Year 2024 (in millions)	Fiscal Year 2023 (in millions)	Variance (in millions
Housing Assistance Payments (HAP) Income	$ 103.6	$ 97.6	$ 6.0
Other Federal/State & County Grants	14.8	13.1	1.7
Investment Income	15.2	9.9	5.3
Interest on Mortgage and Construction Loans Receivable Income	7.4	6.5	0.9
Dwelling Rental Income	73.7	76.7	(3.0)
HAP Expense	(105.6)	(100.0)	(5.6)
Administration Expense	(39.4)	(34.8)	(4.6)
Maintenance Expense	(22.9)	(19.9)	(3.0)
Utilities Expense	(6.5)	(5.7)	(0.8)
Fringe Benefits	(8.0)	(8.9)	0.9
Interest Expense	(35.0)	(31.8)	(3.2)
Depreciation and amortization	(15.9)	(15.9)	-
Other Income Net of Other Expenses	15.2	12.9	2.3
Adjusted Net Income	$ (3.4)	$ (0.3)	$ (3.1)

Housing Assistance Payments (HAP) revenue increased within the HCV Main Program, Emergency Housing Vouchers, Homeless Voucher Program, Stability Voucher Program and HCV Moderate Rehabilitation, partly offset by a decrease in HCV Incoming Portables, HCV Mainstream Program and Incremental Housing Choice Vouchers. The increase in HAP expense is largely driven by an increase in leasing and leasing costs within the HCV Main Program, HCV Outgoing Portables, HCV Project Based Vouchers, HCV RAD-PBV Stewartown, Mainstream and Emergency Housing Vouchers, partly offset by a decrease in HCV VPC One and HCV VPC Two, HCV Incoming Portables and Designated Plan Vouchers.

The increase in state and county grants is largely due to the County Grants for Elizabeth House WSSC Sewer/Storm Line Improvement and Elizabeth House demolition. The County Main also increased, but is partially offset by a decrease in the HIF Recordation and CDBG-CV Rental Assistance.

The increase in investment income is mainly driven by the issuance of MP 2023 Series C Bonds for HOC Headquarters, Housing Production Fund (“HPF”) Series 2021 Limited Obligation Bonds and various Multifamily Housing Development Bonds (“MHDB”) as well as the Single Family Mortgage Revenue Bonds (“MRB’) 2023 Series A&B and 2022 Series ABCD. The favorable Interest rates throughout the year also contributed to the increase in investment income.

The decrease in dwelling rental income is primarily attributed to Elizabeth House RAD Interim Property, VPC One Corporation, RAD 6 properties, Cider Mill Apartments and Magruder’s Discovery Development Corp., partially offset by an increase at HOC at Bradley Crossing and Alexander House Development Corporation. Bad debt expense for the fiscal period July 2023 to March 2024 amounted to about $3.7 million. As of March 31, 2024, the tenant receivable balance has increased by $3,562,745 from June 30, 2023, totaling $13,104,467. Staff does anticipate that a portion of this amount will result in additional allowances and the potential for additional allowances to be set up in subsequent months to reflect the continuation of non-payments lingering from the COVID-19 pandemic.

The increase in administrative expense is mainly driven by the cost of issuance related to the MP2023 bonds issued for the Scattered Sites and HOC Headquarters, and the increase in the General Fund administrative salaries, online information services, and other operating professional services related to consulting and recruiting services.

The increase in maintenance expense is mainly due to an increase in flooring and carpeting contracts, paint and wallcovering, plumbing/kitchen/bath contracts and supplies, health/safety materials, contract maintenance/janitorial salaries and other miscellaneous contracts and supplies, primarily at Cider Mill, Metropolitan, RAD 6 properties, Bradley Crossing, Paddington and Timberlawn. Likewise, General Fund maintenance expenses for computer equipment and software application development and technical services also increased.

The decrease in fringe benefits is largely attributed to a decrease in accrued leave partially offset by an increase in contract managed benefits, health insurance and retired employee benefits.

The increase in interest expense is primarily driven by the Multifamily Fund MP 2023 Series AB for Scattered Sites, MP 2023 Series C for HOC Headquarters and MHDB 2023 Series A for Upton II bonds, as well as the Single Family Fund Mortgage Revenue Bonds ("MRB") 2023 Series AB, 2022 Series ABCD partially offset by MRB 2007 Series CDE.

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

Adjusted Operating Revenue

The revenues from operations, when adjusted for HAP income and unrealized loss on investments, increased by $7.5 million for the third quarter ending March 31, 2024, when compared to the same period last year.

		FY 2024		FY 2023
Total Operating Revenue	$	229,175,460	$	212,625,726
Less:				
Housing Assistance Revenue		(103,561,023)		(97,580,780)
Unrealized Loss on Investments		1,586,110		4,663,639
Adjusted Total Operating Revenue	$	127,200,547	$	119,708,585
Amount of Increase (Decrease)	$	7,491,962		

All of the income categories registered an increase in FY'24 except Dwelling Rental Income and Other Federal Grants. The increase in investment income, HAP administrative fees and state and county grants largely accounted for the increase in the total adjusted operating revenue.

Adjusted Operating Expenses

The operating expenses, when adjusted for HAP expense, increased by $12.3 million for the third quarter ending March 31, 2024, when compared to the same period last fiscal year.

		FY 2024		FY 2023
Total Operating Expenses	$	239,204,749	$	221,342,692
Less:				
Housing Assistance Payments (HAP)		(105,561,689)		(100,039,347)
Adjusted Total Operating Expenses	$	133,643,060	$	121,303,345
Amount of Increase (Decrease)	$	12,339,715		

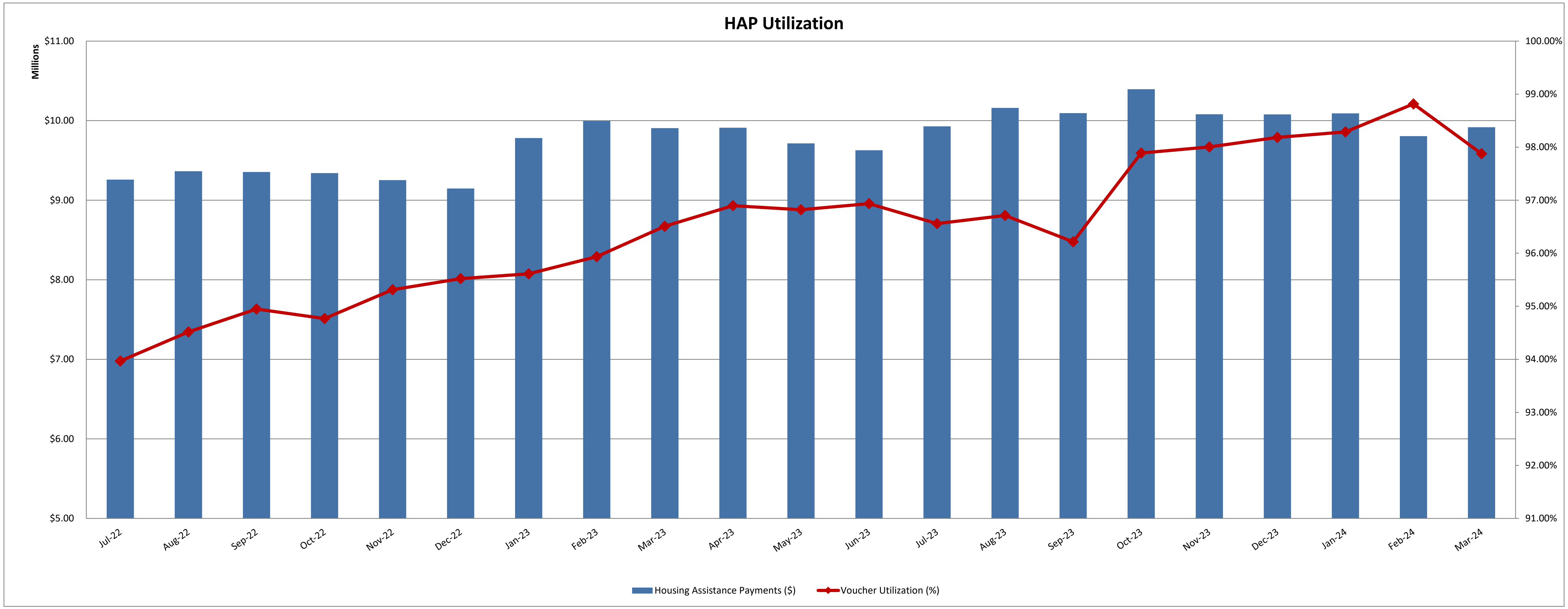
The increase in the adjusted operating expenses is mainly driven by an increase in administrative expense, interest expense and maintenance expense partly offset by a decrease in fringe benefits.

Non-operating Revenues (Expenses)

The non-operating net revenues amount to $5.1 million for the third quarter ending March 31, 2024, as compared to a net income of $3.8 million for the same period last year. The increase in non-operating revenues is attributed to an increase in investment income, non-operating interest income on mortgage and construction loans receivable, and other grants partially offset by an increase in non-operating interest expense.

		FY 2024		FY 2023
Total Non-Operating Revenues (Expenses)	$	5,054,008	$	3,794,525
Amount of Increase (Decrease)	$	1,259,483		

	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24
Housing Assistance Payments ($)	$9,258,785	$9,364,085	$9,355,907	$9,341,203	$9,252,794	$9,147,758	$9,782,366	$9,996,391	$9,906,793	$9,910,697	$9,714,369	$9,627,978	$9,928,251	$10,161,070	$10,094,789	$10,395,433	$10,080,814	$10,079,218	$10,092,558	$9,805,248	$9,917,786
Voucher Utilization (%)	93.97%	94.52%	94.95%	94.77%	95.31%	95.52%	95.61%	95.94%	96.51%	96.90%	96.82%	96.94%	96.56%	96.71%	96.22%	97.89%	98.01%	98.19%	98.29%	98.82%	97.88%
UNITS under LEASE	7,197	7,239	7,273	7,300	7,342	7,358	7,366	7,391	7,435	7,465	7,459	7,468	7,463	7,475	7,477	7,607	7,616	7,630	7,638	7,679	7,606
HUD Authorized BASE LINE	7,659	7,659	7,660	7,703	7,703	7,703	7,704	7,704	7,704	7,704	7,704	7,704	7,729	7,729	7,771	7,771	7,771	7,771	7,771	7,771	7,771



Housing Opportunities Commission of Montgomery County, Maryland
Combined Statements of Net Position
As of March 31, 2024 and June 30, 2023

Assets and Deferred Outflows	Note Num.	3/31/2024	6/30/2023	Dollar Variance	Percentage Variance
Current Assets					
Unrestricted:					
Cash and cash equivalents	-1.a.-	$ 100,086,184	$ 122,787,629	$ (22,701,445)	(18.49%)
Advances to component units	-1.b.-	14,052,973	7,487,772	6,565,201	87.68%
Accounts receivable and other assets	-1.c.-	37,514,177	29,023,057	8,491,120	29.26%
Accrued interest receivable	-1.d.-	20,858,206	17,633,698	3,224,508	18.29%
Lease Receivable Current		1,106,005	1,106,005	0	0.00%
Mortgage and construction loans receivable - (	-1.e.-	10,885,473	11,842,353	(956,880)	(8.08%)
Total unrestricted current assets		**184,503,019**	**189,880,514**	**(5,377,495)**	(2.83%)
Restricted cash and cash equivalents and investments:					
Restricted cash and cash equivalents	-1.f.-	161,709,311	168,603,553	(6,894,242)	(4.09%)
Restricted short-term investments	-1.g.-	2,799,933	2,139,278	660,655	30.88%
Cash for current bonds payable	-1.h.-	30,451,836	49,270,111	(18,818,275)	(38.19%)
Customer deposits		6,743,199	6,286,702	456,497	7.26%
Total restricted cash and cash equivalents and investmei		**201,704,278**	**226,299,644**	**(24,595,366)**	(10.87%)
Total current assets		**386,207,297**	**416,180,158**	**(29,972,861)**	(7.20%)
Noncurrent Assets					
Restricted long-term investments	-1.i.-	218,944,698	175,141,780	43,802,918	25.01%
Lease Receivable, Net of Current		7,438,772	7,438,772	0	0.00%
Mortgage and construction loans receivable	-1.e.-	730,913,909	716,135,179	14,778,730	2.06%
Capital assets, Being Depreciated, Net	-1.j.-	492,661,403	508,014,018	(15,352,615)	(3.02%)
Capital assets, Not Being Depreciated, Net	-1.j.-	173,176,337	160,765,869	12,410,468	7.72%
Right-to-Use Asset		334,568	334,568	0	0.00%
Derivative Asset		3,925,321	4,322,996	(397,675)	(9.20%)
Investment in Component Units	-1.k.-	39,190,964	37,523,980	1,666,984	4.44%
Total noncurrent assets		**1,666,585,973**	**1,609,677,162**	**56,908,811**	3.54%
Total Assets		**2,052,793,270**	**2,025,857,320**	**26,935,950**	1.33%
Deferred Outflows of Resources					
Derivative Instrument	-1.l.-	20,005,625	20,637,912	(632,287)	(3.06%)
Employer -Related Pension Activities	-1.l.-	6,707,859	6,707,859	(0)	(0.00%)
Employer -Related OPEB Activities	-1.l.-	4,331,747	4,331,747	(0)	(0.00%)
		31,045,231	**31,677,518**	**(632,287)**	(2.00%)
Total Assets and Deferred Outflows		**$ 2,083,838,501**	**$ 2,057,534,838**	**$ 26,303,663**	1.28%
Liabilities and Net Position					
Current Liabilities					
Accounts payable and accrued liabilities	-1.m.-	$ 27,217,034	$ 28,474,734	$ (1,257,700)	(4.42%)
Undrawn Mortgage Proceeds Payable	-1.n.-	256,426	15,010,336	(14,753,910)	(98.29%)
Accrued interest payable		11,204,870	10,573,849	631,021	5.97%
Loans payable to Montgomery County - current	-1.o.-	97,706	247,073	(149,367)	(60.45%)
Lease Payable Current		126,470	126,470	(0)	(0.00%)
Mortgage notes and loans payable - current	-1.p.-	4,820,846	5,985,136	(1,164,290)	(19.45%)
Total current unrestricted liabilities		**43,723,351**	**60,417,598**	**(16,694,247)**	(27.63%)
Current Liabilities payable from restricted assets:					
Customer deposit payable		5,628,435	5,314,212	314,223	5.91%
Accrued interest payable	-1.q.-	6,956,418	9,615,948	(2,659,530)	(27.66%)
Bonds payable - current	-1.r.-	21,870,096	39,654,165	(17,784,069)	(44.85%)
Total current liabilities payable from restricted assets		**34,454,949**	**54,584,325**	**(20,129,376)**	(36.88%)
Total current liabilities		**78,178,300**	**115,001,923**	**(36,823,623)**	(32.02%)
Noncurrent Liabilities					
Bonds payable	-1.r.-	867,903,764	755,574,475	112,329,289	14.87%
Mortgage notes and loans payable	-1.p.-	622,364,768	669,817,703	(47,452,935)	(7.08%)
Loans payable to Montgomery County	-1.o.-	93,817,375	93,710,306	107,069	0.11%
Lease Payable Net of Current		209,081	209,081	(0)	(0.00%)
Unearned Revenue	-1.s.-	36,107,982	33,997,564	2,110,418	6.21%
Escrow and other deposits		21,968,389	20,561,989	1,406,400	6.84%
Net Pension liability		10,257,154	10,257,154	0	0.00%
Net OPEB liability		14,123,111	14,123,111	(0)	(0.00%)
Total noncurrent liabilities		**1,666,751,624**	**1,598,251,383**	**68,500,241**	4.29%
Total Liabilities		**1,744,929,924**	**1,713,253,306**	**31,676,618**	1.85%
Deferred Inflows of Resources					
Derivative Instrument	-1.l.-	3,925,321	4,322,996	(397,675)	(9.20%)
Unamortized Lease Receivable	-1.l.-	8,113,988	8,113,988	0	0.00%
Unamortized Pension Net Difference	-1.l.-	21,869,285	21,869,285	0	0.00%
Unamortized OPEB Net Difference	-1.l.-	13,181,185	13,181,185	-	0.00%
Total Deferred Inflows of Resources		47,089,780	47,487,454	(397,674)	(0.84%)
Net Position					
Net investment in capital assets		(148,532,153)	(139,672,412)	(8,859,741)	6.34%
Restricted		119,530,662	106,315,757	13,214,905	12.43%
Unrestricted		320,820,290	330,150,733	(9,330,443)	(2.83%)
Total Net Position		**291,818,798**	**296,794,078**	**(4,975,280)**	(1.68%)
Total Liabilities and Net Position		**$ 2,083,838,502**	**$ 2,057,534,838**	**$ 26,303,664**	1.28%

Housing Opportunities Commission of Montgomery County, Maryland
Combined Statements of Revenues and Expenses
As of March 31, 2024 and March 31, 2023

	Note Num.	3rd Qtr FY2024 3/31/2024	3rd Qtr FY2023 3/31/2023	Dollar Variance	Percentage Variance
Operating Revenues					
Dwelling rental	**-1.aa.-**	73,695,109	76,674,019	$ (2,978,910)	(3.89%)
Investment income	**-1.bb.-**	15,245,954	9,926,407	5,319,547	53.59%
Unrealized gains (losses) on investment	**-1.cc.-**	(1,586,110)	(4,663,639)	3,077,529	(65.99%)
Interest on mortgage and construction loans receivable	**-1.dd.-**	7,359,346	6,463,073	896,273	13.87%
Management fees and other income	**-1.ee.-**	6,429,854	5,277,052	1,152,802	21.85%
U.S. Department of Housing and Urban Development grants:					
Housing Assistance Payments (HAP)	**-1.ff.-**	103,561,023	97,580,780	5,980,243	6.13%
HAP administrative fees	**-1.gg.-**	9,646,058	8,317,031	1,329,027	15.98%
Other grants	**-1.hh.-**	4,076,775	4,709,045	(632,270)	(13.43%)
State and County grants	**-1.ii.-**	10,747,452	8,341,959	2,405,493	28.84%
Total operating revenues		**229,175,460**	**212,625,726**	**16,549,735**	7.78%
Operating Expenses					
Housing Assistance Payments (HAP)	**-1.ff.-**	105,561,689	100,039,347	(5,522,342)	(5.52%)
Administration	**-1.jj.-**	39,384,238	34,752,064	(4,632,174)	(13.33%)
Maintenance	**-1.kk.-**	22,943,041	19,870,513	(3,072,528)	(15.46%)
Depreciation and amortization		15,907,737	15,850,353	(57,384)	(0.36%)
Utilities	**-1.ll.-**	6,460,923	5,671,324	(789,600)	(13.92%)
Fringe benefits	**-1.mm.-**	8,053,450	8,892,155	838,704	9.43%
Interest expense	**-1.nn.-**	35,008,635	31,791,356	(3,217,279)	(10.12%)
Other expense	**-1.oo.-**	5,885,036	4,475,581	(1,409,455)	(31.49%)
Total operating expenses		**239,204,749**	**221,342,692**	**(17,862,057)**	(8.07%)
Operating income (loss)		**(10,029,289)**	**(8,716,967)**	**(1,312,322)**	15.05%
Nonoperating Revenues (Expenses)					
Investment Income		5,025,876	3,497,116	1,528,760	43.71%
Interest on mortgage and construction loans receivable		4,465,441	3,107,489	1,357,953	43.70%
Interest expense	**-1.nn.-**	(4,587,954)	(3,086,752)	(1,501,202)	48.63%
Other grants		150,644	276,672	(126,028)	(45.55%)
Total nonoperating revenues (expense)		**5,054,008**	**3,794,525**	**1,259,483**	33.19%
Income (loss) before capital contributions and transfers		**(4,975,280)**	**(4,922,441)**	(52,839)	1.07%
Transfer from Discrete Component Units		-	-	-	
Capital contributions/(distributions)		-	(636,046)	636,046	(100.00%)
Net income (loss)		**(4,975,280)**	**(5,558,487)**	**583,207**	**(10.49%)**

Housing Opportunities Commission of Montgomery County

Combined Statement of Net Position

As of March 31, 2024

Assets	General Fund	Opportunity Housing Fund	Public Fund	Single Family Fund	Multi Family Fund	Elimination	3/31/2024 Total Funds with Elimination	6/30/2023 Total Funds with Elimination
Current Assets		(0.00)	-		-			
Unrestricted:								
Cash and Cash Equivalents	$ 37,835,181	$ 50,952,314	$ 8,392,858	450,000	$ 2,455,831	$ -	$ 100,086,184	$ 122,787,629
Interfund Receivable	-	7,897,079	1,162,033	196,768	566,765	(9,822,644.02)	-	-
Advances to Component Units	13,534,616	518,357	-	-	-	-	14,052,973	7,487,772
Accounts Receivable and Other Assets,Net	79,025,490	19,517,026	9,095,869	590,191	31,792	(70,746,191)	37,514,177	29,023,057
Accrued Interest Receivable	8,547,248	10,208,199	-	585,822	2,615,809	(1,098,872)	20,858,206	17,633,698
Lease Receivable - Current	-	1,106,005					1,106,005	1,106,005
Mortgage & Construction Loans Receivable, Current	5,601,798	1,443,390	-	2,896,352	13,801,870	(12,857,938)	10,885,473	11,842,353
Total Unrestricted Current Assets	**144,544,334**	**91,642,370**	**18,650,760**	**4,719,133**	**19,472,066**	**(94,525,644)**	**184,503,019**	**189,880,514**
Restricted Cash and Cash Equivalents nd Investments:								
Restricted Cash and Cash Equivalents	10,281,424	39,089,434	(188,563)	17,316,360	95,210,656	-	161,709,311	168,603,553
Restricted Short-Term Investments	-	-	-	2,799,933	-	-	2,799,933	2,139,278
Restricted for Current Bonds Payable	-	-	-	5,485,868	24,965,968	-	30,451,836	49,270,111
Restricted for Customer Deposits	-	3,456,845	3,286,353	-	-	-	6,743,199	6,286,702
Total Restricted Cash and Cash Equivalents for Investments	**10,281,424**	**42,546,279**	**3,097,790**	**25,602,160**	**120,176,624**	**-**	**201,704,278**	**226,299,644**
Total Current Assets	**154,825,758**	**134,188,650**	**21,748,550**	**30,321,294**	**139,648,690**	**(94,525,644)**	**386,207,297**	**416,180,158**
Noncurrent assets:								
Restricted Long - Term Investments	-	-	-	136,077,995	82,866,703	-	218,944,698	175,141,780
Lease Receivable - Net of Current	-	7,438,772	-				7,438,772	7,438,772
Mortgage & Construction Loans Receivable, Net of Current	513,333,412	201,698,833	2,005,615	29,703,552	613,864,002	(629,691,505)	730,913,909	716,135,179
Capital Assets, Being Depreciated, Net	3,066,268	485,894,283	3,700,853	-	-	-	492,661,403	508,014,018
Capital Assets, Not Being Depreciated	12,241,719	156,014,611	4,920,007				173,176,337	160,765,869
Right-to-Use Asset	334,568	-	-				334,568	334,568
Derivative Asset	-	396,038	-	1,593,692	1,935,591.00		3,925,321	4,322,996
Investment in Component Units	2,073,221	37,117,743	-	-	-	-	39,190,964	37,523,980
Total Noncurrent Assets	**531,049,188**	**888,560,280**	**10,626,474**	**167,375,239**	**698,666,296**	**(629,691,505)**	**1,666,585,973**	**1,609,677,162**
Deferred Outflows of Resources								
Derivative Instrument	-	20,005,625	-	-	-	-	20,005,625	20,637,912
Fair Value of Hedging Derivatives	-	-	-	-	0	-	0	-
Employer -Related Pension Activities	2,578,239	1,570,850	2,558,770	-	-	-	6,707,859	6,707,859
Employer -Related OPEB Activities	3,399,093	169,075	763,579	-	-	-	4,331,747	4,331,747
	5,977,331	**21,745,550**	**3,322,349**	**-**	**0**	**-**	**31,045,231**	**31,677,518**
Total Assets and Deferred Outflows	**691,852,277**	**1,044,494,480**	**35,697,374**	**197,696,533**	**838,314,986**	**(724,217,149)**	**2,083,838,501**	**2,057,534,838**

Housing Opportunities Commission of Montgomery County

Combined Statement of Net Position

As of March 31, 2024

	General Fund	Opportunity Housing Fund	Public Fund	Single Family Fund	Multi Family Fund	Elimination	3/31/2024 Total Funds with Elimination	6/30/2023 Total Funds with Elimination
Liabilities and Net Position								
Liabilities								
Current Liabilities								
Accounts Payable and Accrued Liabilities	13,107,128	16,294,692	600,977	541,728	131,900	(3,459,392)	27,217,033	28,474,734
Undrawn Mortgage Proceeds Payable	-	-	-	-	67,543,224	(67,286,799)	256,426	15,010,336
Interfund Payable	9,822,644	-	-	-	-	(9,822,644.02)	-	-
Accrued Interest Payable	-	12,303,741	-	-	-	(1,098,872)	11,204,870	10,573,849
Loans Payable to Montgomery County - Current	-	97,706	-	-	-		97,706	247,073
Lease Payable - Current	126,470						126,470	126,470
Mortgage Notes and Loans Payable-Current	4,402,617	13,276,167	-	-	-	(12,857,938)	4,820,846	5,985,136
Total Current Unrestricted Liabilities	**27,458,859**	**41,972,306**	**600,977**	**541,728**	**67,675,124**	**(94,525,644)**	**43,723,350**	**60,417,598**
Current Liabilities Payable from Restricted Assets:								
Customer Deposits Payable	-	2,879,193	2,749,242	-	-	-	5,628,435	5,314,212
.Accrued Interest Payable	-	-	-	1,625,545	5,330,873	-	6,956,418	9,615,948
Bonds Payable-Current	-	-	-	2,235,000	19,635,096	-	21,870,096	39,654,165
Total Current Liabilities Payable from Restricted Assets	**-**	**2,879,193**	**2,749,242**	**3,860,545**	**24,965,968**	**-**	**34,454,949**	**54,584,325**
Total Current Liabilities	**27,458,859**	**44,851,499**	**3,350,220**	**4,402,274**	**92,641,092**	**(94,525,644)**	**78,178,299**	**115,001,923**
Non-Current Liabilities								
Bonds Payable	-	-	-	172,429,542	695,474,222	-	867,903,764.07	755,574,475
Mortgage Notes and Loans payable	518,023,717	732,752,556	-	1,280,000	-	(629,691,505)	622,364,767.95	669,817,703
Loans payable to Montgomery County	31,979,224	61,838,151	-	-	-	-	93,817,375.42	93,710,306
Lease Payable Net of Current	209,081						209,080.87	209,081
Unearned Revenue	23,101,962	11,698,420	1,307,600	-	-	-	36,107,981.65	33,997,564
Escrow and Other Deposits	18,733,756	-	-	-	3,234,633	-	21,968,388.78	20,561,989
Net Pension liability	6,188,525	1,245,549	2,823,080	-	-	-	10,257,154.14	10,257,154
Net OPEB liability	5,808,221	748,231	7,566,659	-	-	-	14,123,112.28	14,123,111
Derivative Investment - Hedging	-	-	-	-	-	-	-	-
Total Noncurrent Liabilities	**604,044,486**	**808,282,907**	**11,697,340**	**173,709,542**	**698,708,855**	**(629,691,505)**	**1,666,751,625.16**	**1,598,251,383**
Total Liabilities	**631,503,345**	**853,134,406**	**15,047,559**	**178,111,816**	**791,349,947**	**(724,217,149)**	**1,744,929,924**	**1,713,253,306**
Deferred Inflows of Resources								
Derivative Instrument	-	396,038		1,593,692	1,935,591		3,925,321.00	4,322,996
Unamortized Lease Receivable	-	8,113,988					8,113,988.12	8,113,988
Unamortized Pension Net Difference	14,635,673	1,835,246	5,398,366	-	-	-	21,869,285.42	21,869,285
Unamortized OPEB Net Difference	7,473,513	1,008,851	4,698,821	-	-	-	13,181,184.42	13,181,185
Total Deferred Inflows of Resources	22,109,186	11,354,123	10,097,187	1,593,692	1,935,591	-	47,089,779	47,487,454
Net Position								
Net investment in Capital assets	8,902,674	(166,055,687)	8,620,860	-	-	-	(148,532,153)	(139,672,412)
Amounts Restricted for:								
Debt Service	-	39,089,434	-	17,541,025	42,573,617	-	99,204,076	96,751,533
Customer deposits and other	-	577,652	348,548	-	-	-	926,200	2,193,900
Closing cost assistance program and other	19,400,385	-	-	-	-	-	19,400,385	7,370,324
Unrestricted (deficit)	9,936,688	306,394,551	1,583,220	450,000	2,455,831	-	320,820,290	330,150,733
Total net position	**38,239,747**	**180,005,951**	**10,552,628**	**17,991,025**	**45,029,448**	**-**	**291,818,798**	**296,794,078**
Total Liabilities, Deferred Inflows and Net Position	**691,852,277**	**1,044,494,480**	**35,697,374**	**197,696,533**	**838,314,986**	**(724,217,149)**	**2,083,838,501**	**2,057,534,838**

Housing Opportunities Commission of Montgomery County, Maryland

Combining Statement of Revenue and Expenses

For the Quarter Ended March 31, 2024 (with comparative totals for the Quarter Ended March 31, 2023)

	General Fund	Opportunity Housing Fund	Public Fund	Single Family Fund	Multi Family Fund	Elimination	3/31/2024 Total Funds with Elimination	3/31/2023 Total Funds with Elimination
Operating Revenues								
Dwelling Rental	$ -	$ 73,366,859	$ 328,250	$ -	$ -	$ -	$ 73,695,109	$ 76,674,019
Investment Income	-	-	-	5,477,981	9,767,973	-	15,245,954	9,926,407
Unrealized Gains (Losses) on Investments	-	-	-	(1,379,935)	(206,174)	-	(1,586,110)	(4,663,639)
Interest on Mortgage & Construction Loans Receivable	-	-	-	1,119,279	13,167,950	(6,927,883)	7,359,346	6,463,074
Management Fees and Other Income	20,294,134	2,599,625	86,670	-	-	(16,550,576)	6,429,854	5,277,052
U.S. Department of Housing and Urban Developement Grants:								
Housing Assistance Payments (HAP)	-	-	103,561,023	-	-	-	103,561,023	97,580,780
HAP Administrative Fees	-	-	9,646,058	-	-	-	9,646,058	8,317,031
Other Grants	-	-	4,076,775	-	-	-	4,076,775	4,709,045
State and County Grants	-	-	10,747,452	-	-	-	10,747,452	8,341,959
Total Operating Revenues	**20,294,134**	**75,966,484**	**128,446,229**	**5,217,324**	**22,729,748**	**(23,478,459)**	**229,175,460**	**212,625,727**
Operating Expenses								
Housing Assistance Payments	-	-	105,561,689	-	-	-	105,561,689	100,039,347
Administration	14,292,459	14,750,145	14,854,886	852,993	2,096,382	(7,462,627)	39,384,238	34,752,064
Maintenance	1,737,507	21,204,318	1,215	-	-	-	22,943,041	19,870,513
Depreciation and amortization	246,691	15,661,046	-	-	-	-	15,907,737	15,850,352
Utilities	173,098	6,053,384	234,442	-	-	-	6,460,923	5,671,324
Fringe Benefits	3,556,921	2,199,395	2,045,434	71,937	179,763	-	8,053,450	8,892,155
Interest expense	-	21,905,097	-	4,368,562	15,662,859	(6,927,883)	35,008,635	31,791,356
Other Expense	2,354,889	11,631,306	986,643	147	-	(9,087,949)	5,885,036	4,475,581
Total operating expenses	**22,361,565**	**93,404,691**	**123,684,309**	**5,293,639**	**17,939,005**	**(23,478,459)**	**239,204,749**	**221,342,692**
Operating Income (loss)	**(2,067,431)**	**(17,438,207)**	**4,761,920**	**(76,315)**	**4,790,744**	**-**	**(10,029,289)**	**(8,716,965)**
Nonoperating Revenues (Expenses)								
.Investment Income	1,210,154	3,606,388	209,334	-	-	-	5,025,876	3,497,116
.Interest on Mortgage and Construction Loans Receivable	12,697,124	9,674	-	-	-	(8,241,357)	4,465,441	3,107,489
.Interest Expense	(12,197,024)	(632,287)	-	-	-	8,241,357	(4,587,954)	(3,086,752)
Other Grants	-	150,644	-	-	-	-	150,644	276,672
Gain/(Loss) on Sale of Assets	-	-	-	-	-	-	-	-
Total nonoperating revenues (expenses)	**1,710,254**	**3,134,420**	**209,334**	**-**	**-**	**-**	**5,054,008**	**3,794,525**
Income (loss) before capital contributions and transfers	**(357,176)**	**(14,303,787)**	**4,971,254**	**(76,315)**	**4,790,744**	**-**	**(4,975,280)**	**(4,922,440)**
Transfer To/(From) Discrete Component Units		-	-	-	-	-	-	-
Capital contributions/(distributions)	-	-	-			-	-	(636,046)
Operating transfers in (out)	(1,052,497)	1,052,497	-	-		-	-	-
Change in Net Position	**$ (1,409,673)**	**(13,251,290)**	**$ 4,971,254**	**$ (76,315)**	**$ 4,790,744**	**$ -**	**$ (4,975,280)**	**$ (5,558,486)**
Total Net Position, Beginning of Year	**39,649,420**	**193,257,240**	**5,581,374**	**18,067,340**	**40,238,704**	**-**	**$ 296,794,078**	**235,861,887**
Total Net Position, End of Year	**38,239,747**	**180,005,950**	**10,552,628**	**17,991,025**	**45,029,448**	**-**	**291,818,798**	**230,303,401**
	0.07	**0.66**	**-**	**(0.13)**	**-**	**-**	**1**	

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

		FY'24	FY'23	Dollar Variance	Percentage Variance
1.a	**Cash and Cash Equivalents**	**100,086,184**	**122,787,629**	**(22,701,445)**	**(18.49%)**

The decrease in cash and cash equivalents is primarily driven by a decrease in the Opportunity Housing Reserve Fund ("OHRF") attributed to advances for renovation and predevelopment expenses at HOC at Shady Grove LLC, Hillandale Gateway LLC, HOC at Georgian Court LLC, HOC Headquarters, and Sandy Spring Missing Middle, as well as funding of HOC equity contribution to CCL Multifamily LLC ("The Lindley"). The General Fund also contributed to the decrease mainly attributed to an increase in advances to several component units due to timing, partially offset by reimbursements from General Fund Operating Reserve to balance FY'23 year-end performance, the Housing Choice Voucher Program for administrative expenses, OHRF for Real Estate Division personnel and consulting expenses, and Multifamily and Single Family FY2024 operating budget drawdown. Furthermore, the unrestricted cash at the property level decreased as well, attributed primarily to Cider Mill Apartments, HOC at Bradley Crossing LLC, HOC at Battery Lane LLC, Brookeside Glen LP, TPP-Timberlawn, Diamond Square LP, Southbridge and Montgomery Arms Development Corporation.

1.b	**Advances to Component Units**	**14,052,973**	**7,487,772**	**6,565,201**	**87.68%**

The increase in the advances to component units is primarily driven by the timing of the payment and the reimbursement of capital and operating expenditures at several properties through the Central Disbursement System. Major contributors consist of Elizabeth House III LP ("EH III/The Leggett"), South County Regional Recreation and Aquatic Center ("SCRRAC"), HOC at 11250 Veirs Mill Road LLC, HOC at Stewartown Homes LLC, Bauer Park Apartments LP, Town Center Apartments and Arcola Towers RAD LP. The increase is partially offset by a decrease in advances to Hillandale Gateway LLC, Tanglewood and Sligo LP, HOC at Georgian Court LLC and HOC at Willow Manor LLC.

1.c	**Accounts Receivable and Other Assets**	**37,514,177**	**29,023,057**	**8,491,120**	**29.26%**

The increase in accounts receivable and other assets is largely due to prepaid insurance, Yardi license and maintenance fees and semi-annual asset management fees receivables under the General Fund, as well as rent receivables, insurance claims receivables, prepaid mortgage insurance and taxes under the Opportunity Housing Fund.

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

1.e	**Mort. & Const. Loans Receivable-Current**	**10,885,473**	**11,842,353**	**(956,880)**	**(8.08%)**
1.e	**Mort. & Const. Loans Receivable-Non-Current**	**730,913,909**	**716,135,179**	**14,778,730**	**2.06%**
	Total	**741,799,383**	**727,977,532**	**13,821,851**	**1.90%**

The increase in total mortgage and construction loans receivable is mainly attributed to advances from the PNC Real Estate Line of Credit ("RELOC") for HOC at Willow Manor LLC, EH III LP ("The Leggett"), South County Regional Recreation and Aquatic Center ("SCRRAC") as well as additional draws from the OHRF for HOC at Shady Grove LLC, Hillandale Gateway LLC, HOC at Georgian Court LLC, and HOC equity contribution to CCL Multifamily LLC ("The Lindley"). This increase is partially offset by the repayment of RELOC loans for HOC at Upton II ("Upton/Residence on the Lane").

1.f	**Restricted Cash & Cash Equivalents**	**161,709,311**	**168,603,553**	**(6,894,242)**	**(4.09%)**

The decrease in the restricted cash and cash equivalents is mainly due to a decrease in the Single Family Bond Fund mortgage-backed securities purchases, partly offset by an increase in undrawn bond proceeds for HOC Headquarters within the Multifamily Bond.

1.g	**Restricted Short-term Investments**	**2,799,933**	**2,139,278**	**660,655**	**30.88%**

The increase in restricted short-term investments is primarily driven by the Single Family Bond Fund mortgage-backed securities transactions.

1.h	**Cash for Current Bonds Payable**	**30,451,836**	**49,270,111**	**(18,818,275)**	**(38.19%)**

The decrease in the cash for current bonds payable is driven by a decrease in current maturing bonds within the Single Family Bond Fund partially offset by an increase within the Multifamily Bond Fund.

1.i	**Restricted Long-term Investments**	**218,944,698**	**175,141,780**	**43,802,918**	**25.01%**

The increase in restricted long-term investment is mainly due to undrawn bond proceeds from the issuance of Multiple Purpose Bond 2023 Series C for HOC Headquarters and mortgage-backed securities purchases under the Single Family Mortgage Revenue Bonds.

1.j	**Capital Assets, Being Depreciated, Net**	**492,661,403**	**508,014,018**	**(15,352,615)**	**(3.02%)**
1.j	**Capital Assets, Not Being Depreciated, Net**	**173,176,337**	**160,765,869**	**12,410,468**	**7.72%**
	Total	**665,837,740**	**668,779,887**	**(2,942,147)**	**(0.44%)**

The slight decrease in net capital assets is attributed to the normal depreciation of assets partially reduced by the waterproofing and plaza repair contract at The Metropolitan, the predevelopment costs at Sandy Spring Missing Middle and HOC Headquarters, and Capital Improvement Program at Elizabeth House and Scattered Sites.

1.k	**Investment in Component Units**	**39,190,964**	**37,523,980**	**1,666,984**	**4.44%**

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

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

As of March 31, 2024, all of HOC's interest rate swaps were deemed effective hedges. Therefore, under GASB No. 53, *Accounting and Financial Reporting for Derivative Instruments,* the changes in fair values of hedging derivative instruments are reported as either deferred inflows or outflows in the Statements of Net Position. HOC's interest rate swaps consists of ($1,593,692) in the Single Family Bond Fund, ($1,935,591) in the Multifamily Bond Fund and ($396,038) in the Opportunity Housing Fund related to Elizabeth House III.

The interest swaps on The Lindley and Alexander House were terminated on September 8, 2019, which required HOC to make a swap termination payment of $12,701,474 and $12,590,000, respectively. These payments are included in the deferred outflows, hedging derivatives and are being amortized to interest expense on a straight-line basis over the 40-year term of the first mortgage loans with the Federal Financing Bank. The unamortized balance of the swap termination payment is $20,005,625 reported as deferred outflows of resources as of March 31, 2024.

In accordance with GASB No. 68, *Accounting and Financial Reporting for Pensions,* and GASB No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other than Pension Plans,* HOC is required to report deferred outflows of resources and deferred inflows of resources related to pensions and other post-employment benefits (OPEB).

1.m	**Accounts Payable and Accrued Liabilities**	**27,217,034**	**28,474,734**	**(1,257,700)**	**(4.42%)**

The decrease is largely due to a decrease in accrued leave and salaries within the General Fund and accrued expenses. In the Opportunity Housing Fund.

1.n	**Undrawn Mortgage Proceeds payable**	**256,426**	**15,010,336**	**(14,753,910)**	**(98.29%)**

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

1.o	**Loans Payable to Montgomery Co-Current**	**97,706**	**247,073**	**(149,367)**	**(60.45%)**
1.o	**Loans Payable to Montgomery Co-Non-Current**	**93,817,375**	**93,710,306**	**107,069**	**0.11%**
	Total	**93,915,081**	**93,957,379**	**(42,298)**	**(0.05%)**

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

1.p	**Mortgage Notes & Loans Payable-Current**	**4,820,846**	**5,985,136**	**(1,164,290)**	**(19.45%)**
1.p	**Mortgage Notes & Loans Payable-Non-Current**	**622,364,768**	**669,817,703**	**(47,452,935)**	**(7.08%)**
	Total	**627,185,614**	**675,802,839**	**(48,617,225)**	**(7.19%)**

The decrease in total mortgage notes and loans payable is attributed primarily to the refinancing of the existing mortgage loans of VPC One Corporation (“VPC1”), VPC Two Corporation (“VPC2”), Scattered Site2, MHLP X and HOC Headquarters with the issuance of Multiple Purpose Bonds 2023 Series ABC. The RELOC draws for Upton II was also paid back from the LIHTC Equity. This decrease is partially offset by additional RELOC draws for HOC at Willow Manor LLC, EH III/The Leggett, SCRRAC, HOC at Garnkirk and Wheaton Gateway as well advances from the $60 million PNC Line of Credit for Single Family bond redemption.

1.q	**Accrued Interest Payable - Restricted**	**6,956,418**	**9,615,948**	**(2,659,530)**	**(27.66%)**

The decrease in restricted accrued interest payable is driven by the scheduled semi-annual interest payment to the Multifamily and Single Family bondholders.

1.r	**Bonds Payable - Current**	**21,870,096**	**39,654,165**	**(17,784,069)**	**(44.85%)**
1.r	**Bonds Payable - Non-Current**	**867,903,764**	**755,574,475**	**112,329,289**	**14.87%**
	Total	**889,773,860**	**795,228,640**	**94,545,220**	**11.89%**

The increase in the total outstanding bonds payable is mainly attributed to $135 million of new bond issued under the Multiple Purpose (“MP”) Indenture (2023 Series A, B, C Bonds) for the scattered site properties and HOC Headquarters, partially offset by the scheduled bond redemptions within both bond funds. The Multifamily Bond Fund redeemed and retired bonds for $11.7 million under the Multifamily Housing Development Bonds (1996 Indenture) and $0.6 million under the Stand Alone 1998 Issue. The Single Family Bond Fund redeemed and retired bonds under the 1979 Indenture for $25.8 million, the 2019 Indenture for $2.8 million and the 2009 Indenture for $0.6 million.

1.s	**Unearned Revenue**	**36,107,982**	**33,997,564**	**2,110,418**	**6.21%**

The increase in unearned revenue is attributed primarily to excess monthly remittance to the trustee from properties with Federal Financing Bank loans to pay for the loan management fees, mortgage insurance premium and trustee fees as well as County Main Grant-Resident Services Administration received but not yet fully spent.

1.aa	**Dwelling Rental**	**73,695,109**	**76,674,019**	**(2,978,910)**	**(3.89%)**

The decrease in the dwelling rental income is largely due to Elizabeth House RAD Interim Property, VPC One Corporation, RAD 6 properties, Cider Mill Apartments and Magruder’s Discovery Development Corp., which are partially offset by an increase in tenant income from HOC at Bradley Crossing and Alexander House Development Corporation. Bad debt expense for the fiscal period July 2023 to March 2024 amounted to about $3.7 million. As of

March 31, 2024, the tenant receivable balance has increased by $3,562,745 from June 30, 2023, totaling $13,104,467. Staff does anticipate that a portion of this amount will result in additional allowances and the potential for additional allowances to be set up in subsequent months to reflect the continuation of non-payments lingering from the COVID-19 pandemic.

1.bb	**Investment Income**	**15,245,954**	**9,926,407**	**5,319,547**	**53.59%**

The increase in investment income is mainly driven by the MP 2023 Series C HOC Headquarters Bonds, Housing Production Fund ("HPF") Series 2021 Limited Obligation Bonds and various Multifamily Housing Development Bonds ("MHDB") as well as the Single Family Mortgage Revenue Bonds ("MRB') 2023 Series AB and 2022 Series ABCD. Interest rates continue to remain high throughout the year and contributed to the increase in investment income as well.

1.cc	**Unrealized Gains (Losses) on Investments**	**(1,586,110)**	**(4,663,639)**	**3,077,529**	**(65.99%)**

Unrealized gains (losses) on investment reflect the hypothetical gains and/or losses on investments HOC would have experienced if those investments had sold on the last day of the reporting period. If planned properly and held to maturity, no recognized gain or loss should result from the investments.

1.dd	**Interest on Mortg. & Const. Loans Receivable**	**7,359,346**	**6,463,073**	**896,273**	**13.87%**

The increase is primarily due to the Multifamily Bond Fund mortgage receivables related to MHDB 2023 Series A for Upton II, MHDB 2021 Series A for West Side Shady Grove and MHDB 2021 Series BCD for Willow Manor, Shady Grove, Georgian Court and Stewartown.

1.ee	**Management Fees & Other Income**	**6,429,854**	**5,277,052**	**1,152,802**	**21.85%**

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

1.ff	**Housing Assistance Payments-Revenue**	**103,561,023**	**97,580,780**	**5,980,243**	**6.13%**
1.ff	**Housing Assistance Payments-Expense**	**105,561,689**	**100,039,347**	**5,522,342**	**5.52%**

Housing Assistance Payments (HAP) revenue increased within the HCV Main Program, Emergency Housing Vouchers, Homeless Voucher Program, Stability Voucher Program and HCV Moderate Rehabilitation partly offset by a decrease in earned HAP revenue under the HCV Incoming Portables, HCV Mainstream Program and Incremental Housing Choice Voucher. The increase in HAP expense is driven by an increase in leasing and leasing costs within the HCV Main Program, HCV Outgoing Portables, HCV Project Based Vouchers, HCV RAD PBV-Stewartown, Mainstream Vouchers and Emergency Housing Vouchers, partly offset by a decrease in HCV VPC One and HCV VPC Two Dev. Corp., HCV Incoming Portables and Designated Plan Vouchers.

1.gg	**HAP Administrative Fees-Income**	**9,646,058**	**8,317,031**	**1,329,027**	**15.98%**

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

1.hh	**Other Grants**	**4,076,775**	**4,709,045**	**(632,270)**	**(13.43%)**

The decrease in state and county grants is attributed to an increase in the McKinney X-HUD Grant ROSS FSS Award.

1.ii	**State and County Grants**	**10,747,452**	**8,341,959**	**2,405,493**	**28.84%**

The increase in state and county grants is largely due to the County Grants for Elizabeth House WSSC Sewer and Storm Line Improvement as well as Elizabeth House demolition. The County Main also increased partially offset by a decrease in the HIF Recordation and CDBG-CV Rental Assistance.

1.jj	**Administration**	**39,384,238**	**34,752,064**	**4,632,174**	**13.33%**

The increase in administrative expense is primarily driven by the Opportunity Housing Fund and General Fund. The increase in the Opportunity Housing Fund is largely due to the cost of issuance related to the permanent financing of VPC1, VPC2, Scattered Sites2 and MHLP X. The increase in the General Fund is mainly due to HOC Headquarters' cost of issuance, administrative salaries, online information services, and other operating professional services related to consulting and recruiting services.

1.kk	**Maintenance**	**22,943,041**	**19,870,513**	**3,072,528**	**15.46%**

The increase in maintenance expense is mainly due to an increase in flooring and carpeting contracts, paint and wallcovering, plumbing/kitchen/bath contracts and supplies, health/safety materials, contract maintenance/janitorial salaries and other miscellaneous contracts and supplies, primarily at Cider Mill, Metropolitan, RAD 6 properties, Bradley Crossing, Paddington and Timberlawn. The General Fund computer equipment and software expenses related to application development and technical services also contributed to the increase in maintenance costs.

1.ll	**Utilities**	**6,460,923**	**5,671,324**	**789,600**	**13.92%**

The increase in utilities is mainly due to an increase in water, electricity, and trash collection at RAD 6 properties, Paddington Square, Cider Mill, The Metropolitan and Barclay One Associates LP partially offset by a decrease at Glenmont Crossing Development Corp, Diamond Square LP and Barclay Development Corp.

1.mm	**Fringe Benefits**	**8,053,450**	**8,892,155**	**(838,704)**	**(9.43%)**

The decrease in fringe benefits is primarily driven by a decrease in accrued leave partially offset by an increase in contract managed benefits, health insurance and retired employees benefits.

1.nn	**Interest Expense - Operating**	**35,008,635**	**31,791,356**	**3,217,279**	**10.12%**
1.nn	**Interest Expense - Non-Operating**	**4,587,954**	**3,086,752**	**1,501,202**	**48.63%**
	Total	**39,596,589**	**34,878,108**	**4,718,480**	**13.53%**

The increase in total interest expense is largely driven by the Multifamily Fund MP 2023 Series AB for Scattered Sites, MP 2023 Series C for HOC Headquarters and MHDB 2023 Series A for Upton II, as well as the Single Family Fund MRB 2023 Series AB and 2022 Series ABCD partially offset by a decrease in MRB 2007 Series CDE.

1.oo	**Other Expense**	**5,885,036**	**4,475,581**	**1,409,455**	**31.49%**

The increase in other expense is mainly due to an increase in the Opportunity Housing properties' liability insurance, fire and hazard insurance, mortgage insurance and solid waste tax, an increase in security contracts at HOC offices as well as several properties prior period adjustments.

M E M O R A N D U M

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

VIA: Chelsea J. Andrews President/Executive Director

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

RE: **Uncollectible Tenant Accounts Receivable**: Presentation of Request to Write-off Uncollectible Tenant Accounts Receivable (January 1, 2024 – March 31, 2024)

DATE: May 17, 2024

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

The last approved write-off of former tenant accounts receivable balances of $368,862 was on February 21, 2024, which covered the three-month period from October 1, 2023 through December 31, 2023 (the Second quarter of fiscal year 2024).

The proposed write-off of former tenant accounts receivable balances for the third quarter of fiscal year 2024, covering January 1, 2024 through March 31, 2024, is $502,275, which brings the year to date total for FY2024 to $1,003,821.

The third quarter write-off of $502,275 is attributable to former tenants within HOC's Opportunity Housing properties and LIHTC/RAD6 properties.

The primary reasons for the write-offs across the properties include:

Reason for Write-off	Write-off Amount
Eviction	388,647
Abandoned/vacated unit	101,240
No longer in an HOC program	3,897
Moved to a nursing home	1,963
Job transfer	1,904
Home purchase	1,466
Deeath	1,187
Port out	1,087
Needed more space	884
Total	**502,275**

** Lease enforcement including lease violation(s) and/or nonpayment of rent)*

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

Property Type	Current Write-offs 01/01/24 - 03/31/24	Prior Write-offs 10/01/23 - 12/31/23	$ Change 01/01/24 - 03/31/24	% Change 01/01/24 - 03/31/24	Fiscal Year 2024 Year-to-Date 07/01/23 - 03/31/24	Fiscal Year 2023 Year-to-Date 07/01/22 - 03/31/23
Opportunity Housing	491,035	361,512	129,523	35.83%	926,117	80,869
Supportive Housing	-	7,095	(7,095)	-100.00%	26,806	41,735
RAD Properties	11,240	-	11,240	0.00%	50,643	11,402
236 Properties	-	255	(255)	-100.00%	255	4,141
	$ 502,275	$ 368,862	$ 133,413	36.17%	$ 1,003,821	$ 138,147

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

Opportunity Housing Fund

	Current Write-offs 01/01/24 - 03/31/24	Prior Write-offs 10/01/23 - 12/31/23	$ Change 01/01/24 - 03/31/24	% Change 01/01/24 - 03/31/24	Fiscal Year 2024 Year-to-Date 07/01/23 - 03/31/24	Fiscal Year 2023 Year-to-Date 07/01/22 - 03/31/23
Opportunity Housing (OH) Fund						
Avondale	$ 1,525	$ -	$ 1,525	0.00%	$ 1,525	$ 1,359
Camp Hill Square	-	-	-	0.00%	-	1,826
Chelsea Towers	-	-	-	0.00%	331	-
Holiday Park	-	29,266	(29,266)	-100.00%	29,266	-
Jubilee - Hermitage	-	-	-	0.00%	6,232	-
Lasko Manor	-	565	(565)	-100.00%	565	-
Magruders Discovery	-	-	-	0.00%	-	9,560
McHome	-	1,061	(1,061)	-100.00%	1,061	-
McKendree	-	-	-	0.00%	25	-
MHLP IX - MPDU	381	-	381	0.00%	381	1,209
MHLP VII	-	-	-	0.00%	2,191	-
MHLP X	-	-	-	0.00%	1,136	-
MPDU I/64	34,844	-	34,844	0.00%	34,844	800
NCI-1 - 13057 Mill House Ct	-	2,793	(2,793)	-100.00%	2,793	-
NSP-1 - 18884 McFarlin Dr	-	-	-	0.00%	603	-
Paintbranch	-	-	-	0.00%	-	153
Scattered Site One Dev Corp	59,521	-	59,521	0.00%	59,521	18,153
Scattered Site Two Dev Corp	25,510	-	25,510	0.00%	30,021	3,810
State Rental Partnership	-	415	(415)	-100.00%	2,466	3,600
TPM Dev Corp - MPDU II (59)	-	24,143	(24,143)	-100.00%	24,143	769
VPC One Corp	289,183	49,099	240,084	488.98%	365,069	30,963
VPC Two Corp	80,071	254,170	(174,099)	-68.50%	363,944	8,667
Total OH Fund	$ 491,035	$ 361,512	$ 129,523	35.83%	$ 926,117	$ 80,869

Within the Opportunity Housing portfolio, the $491,035 write-off amount was attributable to

Avondale, MHLP IX- MPDU, MPDU I/64, Scattered Site One Dev Corporation, Scattered Site Two Dev Corporation, VPC One Corporation, and VPC Two Corporation.

The write-offs were due to:

No. of Tenants	Reason for Write-off	Write-off Amount
17	Eviction	388,647
9	Abandoned/vacated unit	94,009
3	No longer in an HOC program	3,512
2	Job transfer	1,904
3	Home purchase	1,466
1	Needed more space	884
1	Death	381
1	Port out	232
	Total	**491,035**

** Lease enforcement including lease violation(s) and/or nonpayment of rent)*

Supportive Housing

	Current Write-offs 01/01/24 - 03/31/24	Prior Write-offs 10/01/23 - 12/31/23	$ Change 01/01/24 - 03/31/24	% Change 01/01/24 - 03/31/24	Fiscal Year 2024 Year-to-Date 07/01/23 - 03/31/24	Fiscal Year 2023 Year-to-Date 07/01/22 - 03/31/23
Supportive Housing						
McKinney X - HUD	$ -	$ 1,717	$ (1,717)	-100.00%	$ 21,428	$ 18,095
McKinney XIV - HUD	-	5,378	(5,378)	-100.00%	5,378	23,640
Total Supportive Housing	**$ -**	**$ 7,095**	**$ (7,095)**	**-100.00%**	**$ 26,806**	**$ 41,735**

Within the Supportive Housing Program, there were no write-offs to report in the third quarter of FY '24.

LIHTC/RAD Properties

	Current Write-offs 01/01/24 - 03/31/24	Prior Write-offs 10/01/23 - 12/31/23	$ Change 01/01/24 - 03/31/24	% Change 01/01/24 - 03/31/24	Fiscal Year 2024 Year-to-Date 07/01/23 - 03/31/24	Fiscal Year 2023 Year-to-Date 07/01/22 - 03/31/23
LIHTC/RAD Properties						
Arcola Towers LP	$ 898	$ -	$ 898	0.00%	$ 4,460	$ 4,741
Elizabeth House - Interim RAD	7	-	7	0.00%	7	-
RAD 6 - Ken Gar	378	-	378	0.00%	378	-
RAD 6 - Sandy Spring	7,231	-	7,231	0.00%	33,128	-
RAD 6 - Seneca Ridge	806	-	806	0.00%	806	-
RAD 6 - Washington Square	855	-	855	0.00%	6,916	3,033
Waverly House LP	1,065	-	1,065	0.00%	4,948	3,628
Total RAD Properties	**$ 11,240**	**$ -**	**$ 11,240**	**0.00%**	**$ 50,643**	**$ 11,402**

Within the LIHTC/RAD 6 properties, the $11,240 write-off amount was attributable to Arcola Towers LP, Elizabeth House Interim RAD, RAD 6 (Ken Gar, Sandy Spring, Seneca Ridge, Washington Square), and Waverly House LP. The write-offs were due to:

No. of Tenants	Reason for Write-off	Write-off Amount
1	Abandoned/vacated unit	7,231
2	Moved to nursing home	1,963
1	Port out	855
1	Death	806
2	No longer in an HOC program	385
	Total	**11,240**

HUD Section 236 Properties

	Current Write-offs 01/01/24 - 03/31/24	Prior Write-offs 10/01/23 - 12/31/23	$ Change 01/01/24 - 03/31/24	% Change 01/01/24 - 03/31/24	Fiscal Year 2024 Year-to-Date 07/01/23 - 03/31/24	Fiscal Year 2023 Year-to-Date 07/01/22 - 03/31/23
236 Properties						
Town Center Apts	$ -	$ 255	$ (255)	-100.00%	$ 255	$ 4,141
Total 236 Properties	**$ -**	**$ 255**	**$ (255)**	**-100.00%**	**$ 255**	**$ 4,141**

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

HOC is utilizing a new collections company, Fair Collections & Outsourcing, Inc., which is expected to sign its contract imminently and commence collections. These write-offs will be reported for pursuit of collections in accordance with the procedures outlined below.

Finance Write-Off and Recovery Procedures

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

The next anticipated write-off will be for the fourth quarter of FY’24 covering April 1, 2024 through June 30, 2024. Upon approval, the write-offs will be processed through Yardi’s write-off function with the tenant detail placed into the uncollectible accounts receivable database.

ISSUES FOR CONSIDERATION:
Will the Budget, Finance and Audit Committee join staff's recommendation to the Commission to authorize the write-off of uncollectible tenant accounts receivable for the third quarter of fiscal year 2024, totaling $502,275?

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

TIME FRAME:
For discussion at the May 17, 2024 Budget, Finance and Audit Committee meeting. For formal Commission action at the June 5, 2024 meeting.

STAFF RECOMMENDATION:
Staff requests that the Budget, Finance and Audit Committee join its recommendation to the Commission authorizing the write-off of uncollectible tenant accounts receivable of $502,275.

M E M O R A N D U M

TO:	Housing Opportunities Commission of Montgomery County Budget, Finance and Audit Committee
VIA:	Chelsea Andrews, President/Executive Director
FROM:	Staff: Timothy Goetzinger, Senior Vice President Finance/CFO Eugenia Pascual, Controller Claudia Wilson, Accounting Manager Miriam Caballero, Accounting Manager
RE:	**Calendar Year 2023 Audits:** Presentation of Calendar Year 2023 Low Income Housing Tax Credit Partnerships and Limited Liability Company Audits
DATE:	May 17, 2024

BACKGROUND:

The Housing Opportunities Commission of Montgomery County ("HOC" or "Commission") is the Managing Partner in 17 Low Income Housing Tax Credit ("LIHTC") partnerships, which operate on a calendar year basis, requiring the preparation of audited financial statements for the period ending December 31, 2023. All 17 LIHTC entities require the preparation of year-end audits for calendar year ("CY") 2023.

HOC also has four (4) calendar year Limited Liability Company ("LLC") properties, CCL Multifamily LLC ("The Lindley"), Hillandale Gateway LLC, Wheaton Gateway LLC and HOC at West Side Shady Grove LLC. Hillandale Gateway LLC and Wheaton Gateway LLC are in pre-development phases and do not require an audit for CY2023.

Therefore, this memorandum discusses the audits for 19 individual CY entities.

For ease of review, the full list LIHTC and LLC entities that require an audit for the period ended December 31, 2023 are provided on the following page. Those audits yet to be finalized are bolded.

The property audits for 14 CY2023 Tax Credit Partnerships and CCL Multifamily LLC have been finalized. They have received a standard unqualified audit opinion from the independent certified public accounting firms performing the audits. The audits for three (3) LIHTC partnerships (Bauer Park Apartments LP, HOC at Willow Manor LLC, and Spring Garden One Associates LP), and HOC at West Side Shady Grove LLC are yet to be finalized and are awaiting investor approval of the final drafts. The final audits for these properties – all of which are expected to receive a standard unqualified audit opinion – will be added to the Commission packet for acceptance on June 5, 2024.

Calendar Year 2023 Audit Status			
Low Income Housing Tax Credit ("LIHTC")			
No.	**Entity/ Property Name**	**Units**	**Location**
1	4913 Hampden Lane LP (Lasko Manor)	12	Bethesda
2	900 Thayer LP	124	Silver Spring
3	Alexander House Limited Partnership	122	Silver Spring
4	Arcola Towers RAD LP	141	Silver Spring
5	**Bauer Park Apartments LP**	**142**	**Rockville**
6	Forest Oak Towers LP	175	Gaithersburg
7	GreenhillsApartments Limited Partnership	78	Damascus
8	HOC at Georgian Court LLC	147	Silver Spring
9	HOC at Shady Grove LLC	144	Silver Spring/ Aspen Hill
10	HOC at Stewartown Homes LLC	94	Montgomery Village
11	HOC at The Upton II LLC (Residences on the Lane)	150	Rockville
12	**HOC at Willow Manor LLC**	**286**	**Silver Spring, Olney, Germantown**
13	**Spring Garden One Associates LP**	**83**	**Silver Spring**
14	Tanglewood and Sligo LP	132	Silver Spring/Longbranch
15	Waverly House RAD LP	158	Bethesda
16	Wheaton Metro Limited Partnership (MetroPointe)	53	Wheaton
17	Elizabeth House LP	267	Silver Spring
Limited Liability Company ("LLC")			
No.	**Entity/ Property Name**	**Units**	**Location**
1	CCL Multifamily Limited Liability Company	200	Chevy Chase
2	**HOC at West Side Shady Grove LLC**	**268**	**Rockville/Shady Grove**

ISSUES FOR CONSIDERATION:

Does the Budget, Finance and Audit Committee wish to join staff's recommendation to the Commission to accept the 14 CY 2023 Tax Credit Partnership and CCL Multifamily audits?

BUDGET/FISCAL IMPACT:

There is no budget or fiscal impact related to acceptance of the 14 CY 2023 Tax Credit Partnership and CCL Multifamily LLC.

TIME FRAME:

For discussion at the May 17, 2024 meeting of the Budget, Finance and Audit Committee. For formal Commission action at the June 5, 2024 meeting of the Commission.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:

Staff recommends that the Budget, Finance and Audit Committee join its recommendation to the full Commission to accept the 14 CY 2023 Tax Credit Partnership and CCL Multifamily LLC Audits herein presented.

NOVOGRADAC & COMPANY LLP®

March 15, 2024

To the Partners of
4913 Hampden Lane Limited Partnership:

We have audited the financial statements of 4913 Hampden Lane Limited Partnership (the "Partnership") as of and for the year ended December 31, 2023, and have issued our report thereon dated March 15, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the *Consolidated Audit Guide for Audits of HUD Programs (the "Guide")*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 20, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Partnership are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2023. We noted no transactions entered into by the Partnership during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Any estimates included in the financial statements are reasonable in relation to the financial statements as a whole.

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

There are no such misstatements.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 15, 2024.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Information in Documents Containing Audited Financial Statements

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

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

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

Very truly yours,

Novogradac & Company LLP

NOVOGRADAC & COMPANY LLP

NOVOGRADAC & COMPANY LLP®

April 25, 2024

To the Partners and members of management of
900 Thayer Limited Partnership:

We have audited the financial statements of 900 Thayer Limited Partnership (the "Partnership") as of and for the year ended December 31, 2023, and have issued our report thereon dated April 25, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated December 4, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. We noted no transactions entered into by the Partnership during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Any estimates included in the financial statements are reasonable in relation to the financial statements as a whole.

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

> The disclosures of related party transactions in Notes 5, 6, 7, and 8 to the financial statements are sensitive because they make up a large portion of Partnership's liabilities and expenses.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 25, 2024.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

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

Very truly yours,

Novogradac & Company LLP

NOVOGRADAC & COMPANY LLP

SC&H
ATTEST SERVICES

February 28, 2024

To the Partners
Alexander House Apartments Limited Partnership

We have audited the financial statements of Alexander House Apartments Limited Partnership for the year ended December 31, 2023, and have issued our report thereon dated February 28, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audits. We have communicated such information in our letter to you dated January 15, 2024. Professional standards also require that we communicate to you the following information related to our audits.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

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

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

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

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

Difficulties Encountered in Performing the Audits

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 28, 2024.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

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

Very truly yours,

SC+H attest services, P.C.

CohnReznick

The Auditor's Communication With Those Charged With Governance

Communication Date: April 30, 2024

This communication is being provided to you in connection with our audit of Arcola Towers RAD Limited Partnership's December 31, 2023, financial statements. This communication reflects those matters that are, in our professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process.

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

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

Auditor's Responsibilities With Regard to the Financial Statement Audit

We are responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of those charged with governance are presented fairly, in all material respects, in conformity with the entity's financial reporting framework. Our audit of the financial statements does not relieve you or management of its respective responsibilities. These responsibilities have been communicated to you through our engagement letter.

The financial statements are considered general purpose financial statements and have been prepared in accordance with the financial reporting framework of U.S. GAAP.

We performed our audit in accordance with US generally accepted auditing standards (GAAS).

Planned Scope and Timing of the Audit

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

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

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

CohnReznick

The Auditor's Communication With Those Charged With Governance

Communication Date: April 30, 2024

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

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

No factors were encountered during the audit which indicated we needed to decrease our original planning materiality amount.

Auditor Independence

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

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

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

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

Open Matters

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

Significant Findings or Issues From The Audit

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

Significant Accounting Practices

We have no comments to make on existing practices.

Significant Unusual Transactions

No significant unusual transactions were encountered during the audit which need to be communicated to you.

Significant Difficulties

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

Disagreements With Management

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

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

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

The Auditor's Communication With Those Charged With Governance

Communication Date: April 30, 2024

No significant matters resulting in a change to the expected form and content of the auditor's report were encountered.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Difficult or Contentious Matters on Which We Consulted with Others

No significant issues where encountered which required consultation with others outside the engagement team.

Other Findings or Issues

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

No misstatements requiring correction were noted during the audit.

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

Uncorrected Misstatements

This section includes our views of the effects of any uncorrected misstatements on the financial statements. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Management has corrected all identified misstatements, if any. Our consideration of uncorrected misstatements does not include items we believe to be trivial.

No uncorrected misstatements were noted during the audit which need to be communicated to you.

Restricted use of Communication

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

Questions or Further Discussion

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

Ryan K. Ebner, CPA

Engagement Partner

NOVOGRADAC & COMPANY LLP®

March 13, 2024

To the Partners of
Forest Oak Towers LP:

We have audited the financial statements of Forest Oak Towers LP (the "Partnership") as of and for the year ended December 31, 2023, and have issued our report thereon dated March 13, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted accounting standards, *Government Auditing Standards*, and the *Consolidated Audit Guide for Audits of HUD Programs*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 6, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

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

Accounting estimates are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Any estimates included in the financial statements are reasonable in relation to the financial statements as a whole.

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 13, 2024.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Information in Documents Containing Audited Financial Statements

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

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

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

Very truly yours,

Novogradac & Company LLP

NOVOGRADAC & COMPANY LLP

NOVOGRADAC & COMPANY LLP®

April 1, 2024

To the Partners and members of management of
Greenhills Apartments Limited Partnership:

We have audited the financial statements of Greenhills Apartments Limited Partnership (the "Partnership") as of and for the year ended December 31, 2023, and have issued our report thereon dated April 1, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated December 4, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Partnership are described in Note 2 to the financial statements. We noted no transactions entered into by the Partnership during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Any estimates included in the financial statements are reasonable in relation to the financial statements as a whole.

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 1, 2024.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

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

Very truly yours,

Novogradac & Company LLP

NOVOGRADAC & COMPANY LLP

May 9, 2024

To the Members and members of management of
HOC at Georgian Court, LLC:

We have audited the financial statements of HOC at Georgian Court, LLC (the "Company") as of and for the year ended December 31, 2023, and have issued our report thereon dated May 9, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the *Consolidated Audit Guide for Audits of HUD Programs (the "Guide")*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 3, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Company are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2023. We noted no transactions entered into by the Company during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Any estimates included in the financial statements are reasonable in relation to the financial statements as a whole.

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 9, 2024.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

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

Very truly yours,

Novogradac & Company LLP

NOVOGRADAC & COMPANY LLP

May 9, 2024

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

We have audited the financial statements of HOC at Shady Grove, LLC (the "Company") as of and for the year ended December 31, 2023, and have issued our report thereon dated May 9, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the *Consolidated Audit Guide for Audits of HUD Programs (the "Guide")*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 23, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Company are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2023. We noted no transactions entered into by the Company during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Any estimates included in the financial statements are reasonable in relation to the financial statements as a whole.

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 9, 2024.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

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

Very truly yours,

Novogradac & Company LLP

NOVOGRADAC & COMPANY LLP

April 17, 2024

To the Members of
HOC at Stewartown Homes, LLC:

We have audited the financial statements of HOC at Stewartown Homes, LLC (the "Company") as of and for the year ended December 31, 2023, and have issued our report thereon dated April 17, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated October 23, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Company are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2023. We noted no transactions entered into by the Company during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Any estimates included in the financial statements are reasonable in relation to the financial statements as a whole.

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 17, 2024.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

Very truly yours,

Novogradac & Company LLP

NOVOGRADAC & COMPANY LLP

NOVOGRADAC & COMPANY LLP®

May 9, 2024

To the Members of
HOC at the Upton II LLC:

We have audited the financial statements of HOC at the Upton II LLC (the "Company") as of and for the year ended December 31, 2023, and have issued our report thereon dated May 9, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated December 4, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Company are described in Note 2 to the financial statements. We noted no transactions entered into by the Company during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Any estimates included in the financial statements are reasonable in relation to the financial statements as a whole.

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 9, 2024.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

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

Very truly yours,

Novogradac & Company LLP

NOVOGRADAC & COMPANY LLP

March 4, 2024

To The Partners And Management
Tanglewood and Sligo Limited Partnership

We have audited the financial statements of Tanglewood and Sligo Limited Partnership for the year ended December 31, 2023, and have issued our report thereon dated March 4, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated January 15, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Tanglewood and Sligo Limited Partnership are described in Note 1 to the financial statements.. No new accounting policies were adopted and the application of existing policies was not changed during 2023. We noted no transactions entered into by the Partnership during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 4, 2024.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

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

Sincerely,

SC+H attest services, P.C.

MK GROUP CPAs & CONSULTANTS LLC

WAVERY HOUSE RAD LIMITED PARTNERSHIP
(A MARYLAND LIMITED PARTNERSHIP)

FOR YEAR ENDED DECEMBER 31, 2023

AUDIT COMMUNICATIONS

800 Enterprise Dr #202 | Ph: 312-786-5856 | Fx: 312-786-5879
Oak Brook, IL 60523 | www.MKGroupCPAs.com

AUDIT COMMUNICATIONS WITH MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE

April 30, 2024

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

We have audited the financial statements of Waverly House RAD Limited Partnership (the "Partnership") for the year ended December 31, 2023 and will issue our report thereon dated March 19, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

<u>Significant Audit Matters</u>

Qualitative Aspects of Accounting Practices:

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Partnership are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2023. We noted no transactions entered into by the Partnership during the year for which there is a lack of authoritative guidance or consensus All significant transactions have been recognized in the financial statements in the proper period.

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

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

Difficulties Encountered in Performing the Audit:

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

800 Enterprise Dr #202 | Ph: 312-786-5856 | Fx: 312-786-5879
Oak Brook, IL 60523 | www.MKGroupCPAs.com

MK GROUP CPAs & CONSULTANTS LLC

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 19, 2024.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

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

Very truly yours,

MK Group CPAs & Consultants LLC

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

CohnReznick

The Auditor's Communication With Those Charged With Governance

Communication Date: April 30, 2024

This communication is being provided to you in connection with our audit of Wheaton Metro Limited Partnership's December 31, 2023, financial statements. This communication reflects those matters that are, in our professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process.

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

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

Auditor's Responsibilities With Regard to the Financial Statement Audit

We are responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of those charged with governance are presented fairly, in all material respects, in conformity with the entity's financial reporting framework. Our audit of the financial statements does not relieve you or management of its respective responsibilities. These responsibilities have been communicated to you through our engagement letter.

The financial statements are considered general purpose financial statements and have been prepared in accordance with the financial reporting framework of U.S. GAAP. In addition, the entity has received government assistance and is also subject to regulatory reporting requirements. As a result, the annual financial statements also includes supplementary information as required.

We performed our audit in accordance with US generally accepted auditing standards (GAAS). In addition, because the financial statements include regulatory reporting requirements, we performed our audit in accordance with government audit standards (GAGAS).

Planned Scope and Timing of the Audit

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

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

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

The Auditor's Communication With Those Charged With Governance

Communication Date: April 30, 2024

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

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

No factors were encountered during the audit which indicated we needed to decrease our original planning materiality amount.

Auditor Independence

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

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

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

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

Open Matters

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

Significant Findings or Issues From The Audit

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

Significant Accounting Practices

We have no comments to make on existing practices.

Significant Unusual Transactions

No significant unusual transactions were encountered during the audit which need to be communicated to you.

Significant Difficulties

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

Disagreements With Management

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

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

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

CohnReznick

The Auditor's Communication With Those Charged With Governance

Communication Date: April 30, 2024

No significant matters resulting in a change to the expected form and content of the auditor's report were encountered.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Difficult or Contentious Matters on Which We Consulted with Others

No significant issues where encountered which required consultation with others outside the engagement team.

Other Findings or Issues

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

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

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

Uncorrected Misstatements

This section includes our views of the effects of any uncorrected misstatements on the financial statements. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Management has corrected all identified misstatements, if any. Our consideration of uncorrected misstatements does not include items we believe to be trivial.

No uncorrected misstatements were noted during the audit which need to be communicated to you.

Restricted use of Communication

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

Questions or Further Discussion

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

Ryan K. Ebner, CPA

Engagement Partner

April 18, 2024

To the Partners and members of management of
Elizabeth House III Limited Partnership:

We have audited the financial statements of Elizabeth House III Limited Partnership (the "Partnership") as of and for the year ended December 31, 2023, and have issued our report thereon dated April 18, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated December 4, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Partnership are described in Note 2 to the financial statements. We noted no transactions entered into by the Partnership during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Any estimates included in the financial statements are reasonable in relation to the financial statements as a whole.

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 18, 2024.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

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

Very truly yours,

Novogradac & Company LLP

NOVOGRADAC & COMPANY LLP

NOVOGRADAC & COMPANY LLP®

April 12, 2024

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

We have audited the financial statements of CCL Multifamily LLC (the "Company") as of and for the year ended December 31, 2023, and have issued our report thereon dated April 12, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated December 4, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Company are described in Note 2 to the financial statements. We noted no transactions entered into by the Company during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Any estimates included in the financial statements are reasonable in relation to the financial statements as a whole.

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 12, 2024.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

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

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

Very truly yours,

Novogradac & Company LLP

NOVOGRADAC & COMPANY LLP

M E M O R A N D U M

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

VIA: Chelsea J. Andrews, President/Executive Director

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

RE: **Fiscal Year 2025 (FY'25) Budget Presentation**: Presentation of the FY 2025 Opportunity Housing Fund Budget

DATE: May 17, 2024

BACKGROUND:

The FY 2025 Recommended Budget reflects the Agency's commitment to **EXPAND** Affordable Housing in Montgomery County, **ENHANCE** the Lives We Touch through Supportive Services & Partnerships, and **EXCEL** as a World-Class Organization.

The lingering impacts of the COVID-19 pandemic on rental arrearages and rising costs have continued to present challenges in balancing the budget. Limited access to units during the pandemic has resulted in more deferred maintenance in our units, which when combined with rising costs have put upward pressure on our budgetary expenses. New leadership in HOC's Asset Management, Property Management and Maintenance divisions will lead the charge of stabilizing rental income and containing costs while providing quality housing to our residents. These efforts combined with continued investment in technology and systems to create a more agile and data-driven decision-making environment, and staff development and advancement will enable the Agency to respond to the aforementioned issues and positively impact property and agency financial performance and improve our customers' experience in accessing resources and assistance.

The Agency's development and financing activities continue to generate commitment and development fees that support the Agency's operations and the Opportunity Housing Reserve Fund, which provides funding for future development activities. The FY'25 Recommended Budget continues to rely on these fees that are one time in nature to support operations. The amount of these fees and the timing of their receipt is dependent upon the ever-changing development landscape, which can impact revenue received during a given fiscal year. Nevertheless, production and preservation must continue to meet HOC's strategic goals as well as those set forth by Montgomery County.

ISSUES FOR CONSIDERATION:

The **Opportunity Housing Fund** includes HOC's fiscal year properties and the Opportunity Housing Reserve Fund ("OHRF"). The OHRF will be discussed during the Mortgage Finance and Real Estate Development budgets.

The Recommended Operating Budget for FY 2025 began with **$348.4** million. Please note that the FY 2025 Recommended Budget that was presented to the Commission on April 3, 2024 was balanced with a draw from the General Fund Operating Reserve ("GFOR") account of approximately **$854 thousand** (see **Slide 2**).

The changes introduced on April 19, 2024, are reflected on **Slide 3**. As a result of increased funding from the County Contract that was partially offset by the removal of the budgeted salary lapse in Resident Services and decreased fees paid from the HCVP to the General Fund for Overhead expenses, the budget shows a surplus of **$111 thousand**.

The chart on **Slide 4** shows that funding in the FY2025 Recommended Budget for the Opportunity Housing Fund was **$110.55** million, the majority of which is based on Rental Income net of concessions and vacancy, coupled with income from retail space, laundry and parking income, and various fees. In addition, Federal Funding of $42 thousand from the McKinney Grant reimburses certain costs for units at Montgomery Arms. Finally, the Transfers Between Funds include County funding for various costs as well as funding for shortfalls at a few properties that are being covered by transfers from existing property cash or the GFOR account.

Tenant and Non Dwelling Income decreased **($806 thousand)** from the FY 2024 Amended Budget mostly due to lower gross rent potential based on inconsistency with implementing the 2023 County Executive Voluntary Rent Guideline ("VRG") of 5.8%, the continuation of higher vacancy loss at some of the properties during the current year that have been refined in the FY 2025 Recommended Budget, the projected sale of Brookville Road in November 2024, and vacant retail space at the Metropolitan. Income transfers also decreased **($157 thousand)** from the FY 2024 Amended Budget largely due to the reduced draw from existing cash for Brookville Road based on the anticipated sale.

The FY 2025 Revised Budget includes refinements made to the FY 2025 Recommended Budget which include reducing rent increases to align with the new County Executive Voluntary Rent Guideline ("VRG") of 2.6%, removing the 10 sold units from MPDU I to Habitat, and further adjusting Vacancy Loss assumptions at a few properties based on recent activity. The changes decreased tenant income by **($344 thousand)** or **(0.3%)**. In addition, the transfers have decreased by **($26 thousand)** due to decreased draws from existing cash for deficits of **($31 thousand)** partially offset by an increased draw from the GFOR for MetroPointe of **$5 thousand**.

The net impact of the changes results in a total decrease in income of ($370 thousand) or (.03%)

bringing the FY 2025 Revised Budget income to $110.18 million.

The chart on **Slide 5** reflects the distribution of the Source of Funds of **$110.18 million** received to support the Opportunity Housing Fund. Tenant Rents make up **$105.11 million** or 95.40% of the revenue in the fund with the remaining **$5.07 million** or 4.60% coming from Transfers Between Funds, Non-Dwelling Income from retail space, laundry & parking income, various fees, and the federal grant for McKinney units.

Slide 6 provides an overview of the five-year detail of Expenses in the Recommended Budget for the Opportunity Housing Fund, totaling **$108.90 million**, which is broken out into Operating and Non-Operating expenses.

Unlike the General Fund and Public Fund in which personnel costs make up the majority of the operating expenses, the expenses of the Opportunity Housing Fund are spread across several categories that support the operations of the properties, including personnel, operating fees, maintenance, utilities, taxes and insurance, protective services, and bad debt expense. On the Non-Operating side, expenses include Debt Services, Operating and Replacement Reserve ("RfR") contributions, Restricted Cash Flow, and Development Corporation Fees.

Overall, expenses increased by **$382 thousand** or 0.4% from the FY 2024 Amended Budget, primarily due to increases in most operating expense categories partially offset by reductions in bad debt, debt service reserve contributions based on the permanent financing of the VPC, and reductions in restricted cash flow and Development Corporation Fee expenses that represent unrestricted cash from the properties.

- The following revisions have been made to the Recommended Budget:
    - Removed **($57 thousand)** of debt service for MPDU I paid off with proceeds from the sale of 10 units,
    - Decreased interest payments for Bradley Crossing and Battery Lane of **($232 thousand)** from HIF Loan financing,
    - Decreased Operating Reserve Contributions of **$415**,
    - Increased Restricted cash flow of **$32 thousand**, and
    - Increased Development Corporation Fees of **$142 thousand**.

Therefore, total expenses have decreased by **($116 thousand)** or (0.1%) bringing the FY 2025 Revised Budget expenses to **$108.78 million**.

Finally, cash flow has changed as follows:

Tenant Income	($344,276)
Transfer Between Funds	($25,880)
Interest Payment	$289,061
Operating Reserves	$415
Restricted Cash Flow	($32,283)
Development Corporation Fees	($141,630)
Cash Flow	**($254,593)**

The chart on **Slide 7** reflects the distribution of the **Revised** Use of Funds of **$108.78 million**. The chart shows the breakout of Operating and Non-Operating expenses that are nearly equally divided between Operating expenses totaling **$60.36 million** or 55.5% and Non-Operating expenses totaling **$48.42 million** or 44.5%.

The three largest operating categories are Personnel of **$16.30 million** or 14.98%, Operating-Fees of **$16.16 million** or 14.86%, and Maintenance of **$10.63 million** or 9.78% with the balance made up of Bad Debt of **$2.36 million** or 2.17%, and other administrative and operating costs, utilities, insurance and taxes totaling **$14.91 million** or 13.71%.

The largest non-operating category is Debt Service of **$38.23 million** or 35.14%, which equates to over 75% of total non-operating expenses, followed by Contributions to Reserves totaling **$3.82 million** or 3.51%, and the distribution of cash flow to Development Corporation Fees of **$4.94 million** or 4.54% and Restricted Cash of **$1.43 million** or 1.31%.

The chart on **Slide 8** reflects a five-year history of Total Property Cash Flow, which is broken into three categories: Development Corporation Fees, Unrestricted Cash Flow, and Restricted Cash Flow. Total Projected Cash Flow has decreased by approximately **($3.49 million)** for the FY 2025 Revised Budget when compared to FY 2024 Amended budget. The decrease is largely due to:

- Decreased Development Corporation Fees from Glenmont Crossing, The Metropolitan, Montgomery Arms, and VPC One partially offset by an increase at Pooks Hill Highrise,
- Decreased cash flow from Bradley Crossing and the Willows, a new Deficit at Cider Mill, and increased deficits at the RAD 6 partially offset by increased cash flow from Westwood Towers, and
- Decreased restricted cash flow at Brookside Glen, Cider Mill, Metropolitan Dev Corp, and the Oaks at Four Corners.

The final chart on **Slide 9** represents the FY 2025 Agency Revised Operating Budget summarizing the changes introduced today in Opportunity Housing (Peach) coupled with the changes from the Public Fund presentation (Green).

As a reminder, the FY 2025 Recommended Budget included a contribution of **$854 thousand** from the GFOR.

The Net impact of the changes introduced in this presentation result in an increase of **$142 thousand** in Income to the General Fund due to higher Development Corporation Fee income from the properties.

The Net impact of the changes to Income and Expense in the Opportunity Housing Fund is a decrease of **($255 thousand)** to unrestricted cash flow.

The net impact of these changes combined with the increased funding from the County Contract that was partially offset by the removal of the budgeted salary lapse in Resident Services of **$117k** and decreased fees of **($6 thousand)** paid from the HCVP to the General Fund for Overhead expenses results is a negative balance of **($2 thousand)** which will be discussed at the end of today's meeting ($117 thousand - $6 thousand + $142 thousand - $255 thousand = **($2 thousand)**).

BUDGET IMPACT:
None for FY'24. The budget, when adopted on June 5, 2024, will set the financial plan for the Agency for FY'25.

TIME FRAME:
During April and May 2024, the Budget, Finance and Audit Committee will review the budget proposal in detail and recommend the FY'25 Budget, as amended, to the full Commission for adoption at the June 5, 2024 meeting. The Commission must adopt a budget for FY'25 before the fiscal year begins on July 1, 2024.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:
No action is requested at this time.

Charts Highlighting
FY 2025 Opportunity Housing Fund Budget

Budget, Finance & Audit Committee Meeting

FY 2025 Opportunity Housing

May 17, 2024

Fund Summary
FY 2025 Recommended Budget

Overview - Revenue and Expense Summary

Fund Summary Overview	FY 2025 Recommended Budget		
	Revenues	Expenses	Net
General Fund	$33,985,450	$36,495,230	($2,509,780)
Draw from General Fund Operating Reserve ("GFOR")	$854,060	$0	$854,060
Multifamily Bond Funds	$23,163,370	$23,163,370	$0
Single Family Bond Funds	$8,451,710	$8,451,710	$0
Opportunity Housing Fund			
Opportunity Housing Reserve Fund ('OHRF")	$12,970,450	$1,779,950	$11,190,500
Restrict to OHRF	$0	$11,190,500	($11,190,500)
Opportunity Housing & Development Corporation Properties	$110,532,650	$108,898,970	$1,633,680
Draw from GFOR for MetroPointe Deficit	$22,040	$0	$22,040
Public Fund			
Housing Choice Voucher Program ("HCVP")	$139,722,090	$139,722,090	$0
Federal and County Grants	$18,653,980	$18,653,980	$0
TOTAL - ALL FUNDS	**$348,355,800**	**$348,355,800**	**$0**

*** Revenues and Expenses include inter-company Transfer Between Funds**

Fund Summary

FY 2025 Revised Budget as of April 19, 2024

Fund Summary Overview	FY 2025 Revised Budget 4/19/2024		
	Revenues	Expenses	Net
General Fund	$33,985,450	$36,495,230	($2,509,780)
Draw from General Fund Operating Reserve ("GFOR")	$854,060	$0	$854,060
Changes to HCVP Utilization	($6,174)	$0	($6,174)
Multifamily Bond Funds	$23,163,370	$23,163,370	$0
Single Family Bond Funds	$8,451,710	$8,451,710	$0
Opportunity Housing Fund			
Opportunity Housing Reserve Fund ('OHRF")	$12,970,450	$1,779,950	$11,190,500
Restrict to OHRF	$0	$11,190,500	($11,190,500)
Opportunity Housing & Development Corporation Properties	$110,532,650	$108,898,970	$1,633,680
Draw from GFOR for MetroPointe Deficit	$22,040	$0	$22,040
Public Fund			
Housing Choice Voucher Program ("HCVP")	$139,722,090	$139,722,090	$0
Changes to HCVP Utilization	$1,036,407	$1,036,407	$0
Federal and County Grants	$18,653,980	$18,653,980	$0
Increase to County Main Grant	$322,814	$205,739	$117,075
TOTAL - ALL FUNDS	**$349,708,847**	**$349,597,946**	**$110,901**

*** Revenues and Expenses include inter-company Transfer Between Funds**

Opportunity Housing Income Overview
FY 2021 through FY 2025

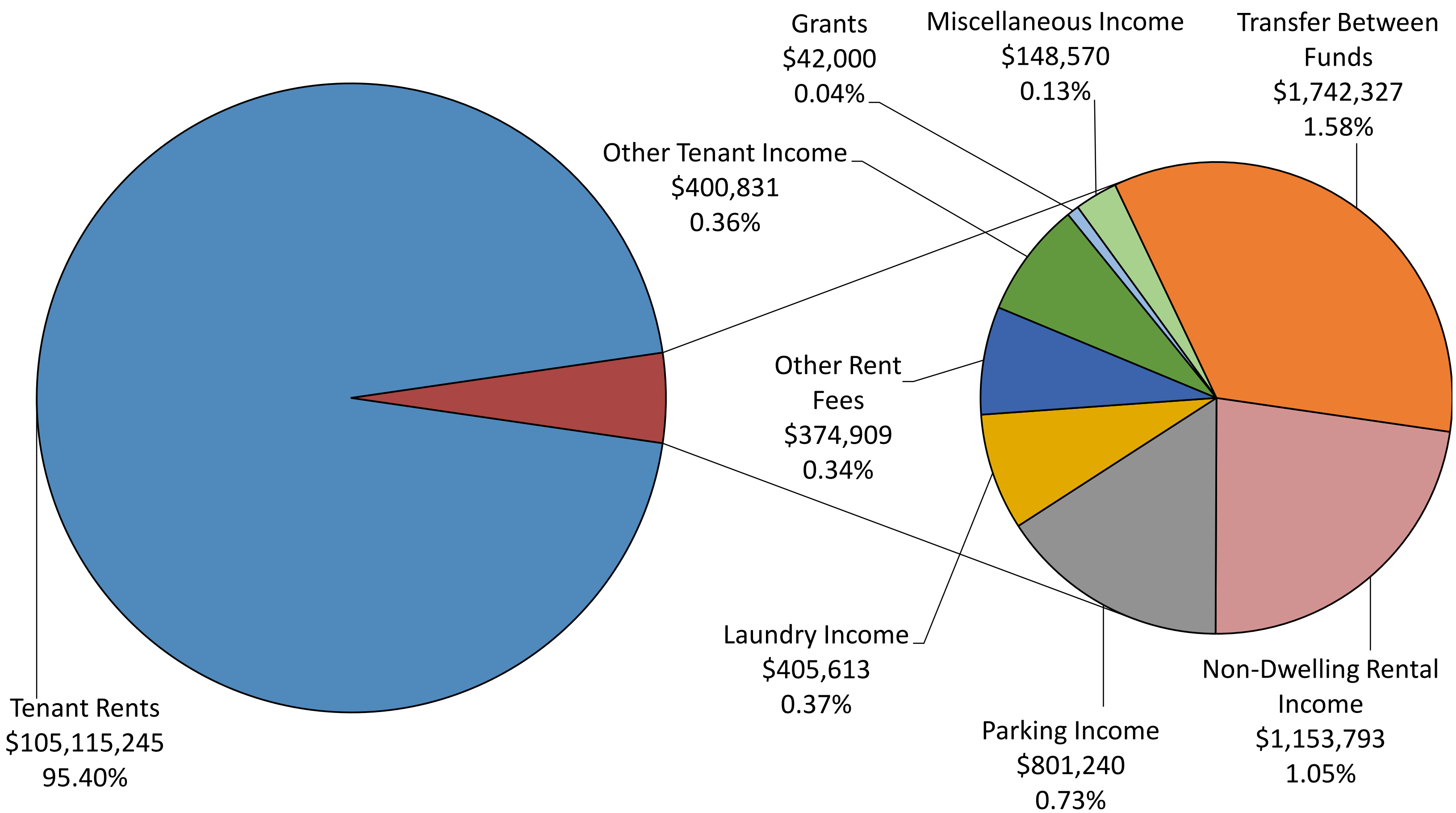
Opportunity Housing and Development Corporations	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2024 Amended Budget	FY 2025 Recomm Budget	FY 2024 Amended to FY 2025 Recommended $ Change	FY 2024 Amended to FY 2025 Recommended % Change	FY 2025 Revised Budget	FY 2025 Recommended to FY 2025 Revised $ Change	FY 2025 Recommended to FY 2025 Revised % Change
Income										
Tenant Income	$100,296,519	$102,603,695	$102,760,004	$108,010,773	$107,442,114	($568,659)	-0.5%	$107,097,838	($344,276)	-0.3%
Non-Dwelling Rental Income	$1,572,716	$1,733,768	$1,520,564	$1,390,721	$1,153,793	($236,928)	-17.0%	$1,153,793	$0	0.0%
Federal Grant	$40,645	$44,859	$42,100	$42,000	$42,000	$0	0.0%	$42,000	$0	0.0%
State Grant	$0	$0	$0	$0	$0	$0	0.0%	$0	$0	0.0%
County Grant	$0	$0	$0	$0	$0	$0	0.0%	$0	$0	0.0%
Miscellaneous Income	$300,694	$358,796	$208,254	$113,407	$148,570	$35,163	31.0%	$148,570	$0	0.0%
Investment Interest Income	($12,746)	$180	$1,446	$540	$251	($289)	-53.5%	$251	$0	0.0%
Transfer Between Funds	$2,810,515	$1,838,470	$2,223,629	$1,925,349	$1,767,956	($157,393)	-8.2%	$1,742,076	($25,880)	-1.5%
Total Income	**$105,008,343**	**$106,579,768**	**$106,755,997**	**$111,482,790**	**$110,554,684**	**($928,106)**	**-0.8%**	**$110,184,528**	**($370,156)**	**-0.3%**

Tenant Income includes rental income, concessions, vacancy, laundry and parking income, and various fees (such as late fees, NSF fees, damage fees, etc)

Transfers Between Funds are non-operating income from sources such as operating cash or reserves, or County funds for HOA Fees, utilities, and Rental License Fees.

Source of Funds
FY 2025 Revised Budget

$110,184,528



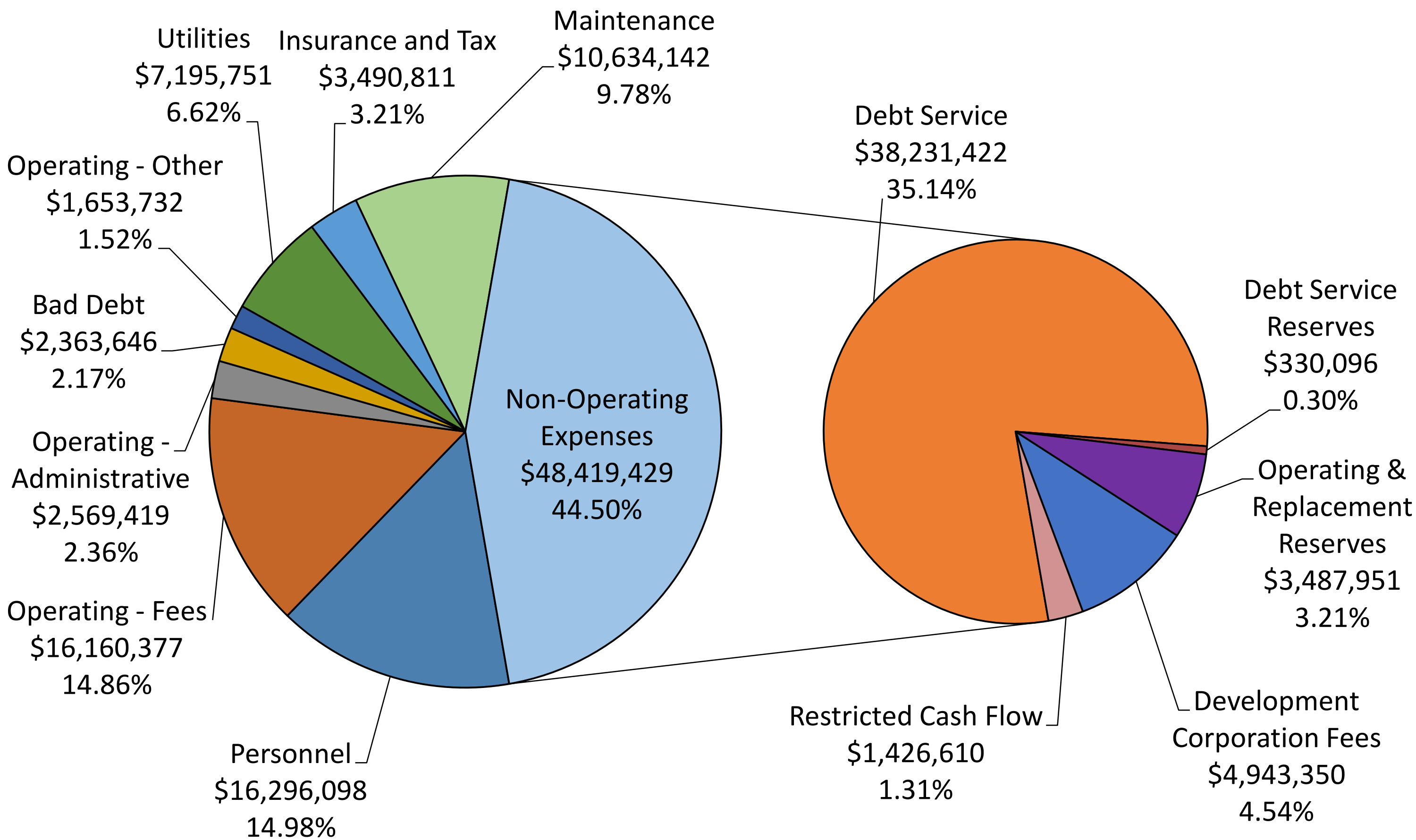
Opportunity Housing Overview
FY 2021 through FY 2025

Opportunity Housing and Development Corporations	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2024 Amended Budget	FY 2025 Recomm Budget	FY 2024 Amended to FY 2025 Recommended $ Change	FY 2024 Amended to FY 2025 Recommended % Change	FY 2025 Revised Budget	FY 2025 Recommended to FY 2025 Revised $ Change	FY 2025 Recommended to FY 2025 Revised % Change
Expenses										
Personnel Expenses	$14,810,109	$14,117,954	$13,425,830	$15,262,445	$16,296,098	$1,033,653	6.8%	$16,296,098	$0	0.0%
Operating Expenses - Fees	$14,271,450	$14,328,060	$15,243,612	$15,719,638	$16,160,377	$440,739	2.8%	$16,160,377	$0	0.0%
Operating Expenses - Administrative	$2,469,423	$3,176,748	$2,537,848	$2,235,239	$2,569,419	$334,180	15.0%	$2,569,419	$0	0.0%
Bad Debt	$3,324,955	$2,510,454	$2,546,224	$3,399,290	$2,363,646	($1,035,644)	-30.5%	$2,363,646	$0	0.0%
Tenant Services Expenses	$268,432	$224,750	$291,018	$388,948	$542,510	$153,562	39.5%	$542,510	$0	0.0%
Protective Services Expenses	$923,967	$996,939	$1,233,836	$1,303,442	$1,111,222	($192,220)	-14.7%	$1,111,222	$0	0.0%
Utilities Expenses	$6,650,743	$7,628,136	$7,019,782	$6,961,621	$7,195,751	$234,130	3.4%	$7,195,751	$0	0.0%
Insurance and Tax Expenses	$2,800,079	$2,506,574	$3,232,031	$3,307,047	$3,490,811	$183,764	5.6%	$3,490,811	$0	0.0%
Maintenance Expenses	$8,068,170	$10,782,297	$11,111,110	$9,484,817	$10,634,142	$1,149,325	12.1%	$10,634,142	$0	0.0%
Interest Payment	$21,432,131	$23,193,443	$25,671,218	$25,145,142	$25,728,386	$583,244	2.3%	$25,439,325	($289,061)	-1.1%
Mortgage Insurance	$1,161,162	$1,082,601	$1,039,524	$888,773	$995,800	$107,027	12.0%	$995,800	$0	0.0%
Principal Payment	$11,987,691	$12,041,042	$11,297,366	$11,116,130	$11,796,297	$680,167	6.1%	$11,796,297	$0	0.0%
Debt Service Reserves	$2,054,519	$1,854,195	$1,462,549	$1,577,552	$330,096	($1,247,456)	-79.1%	$330,096	$0	0.0%
Operating and Replacement Reserves	$3,564,451	$3,537,675	$3,533,455	$3,433,713	$3,488,366	$54,653	1.6%	$3,487,951	($415)	-0.0%
Restricted Cash Flow	$3,573,368	$2,246,647	$1,628,501	$2,553,913	$1,394,327	($1,159,586)	-45.4%	$1,426,610	$32,283	2.3%
Development Corporation Fees	$5,343,739	$5,758,672	$5,131,472	$5,739,737	$4,801,720	($938,017)	-16.3%	$4,943,350	$141,630	2.9%
Total Expenses	**$102,704,389**	**$105,986,187**	**$106,405,376**	**$108,517,447**	**$108,898,968**	**$381,521**	0.4%	**$108,783,405**	**($115,563)**	-0.1%
NET CASH FLOW	**$2,303,954**	**$593,581**	**$350,621**	**$2,965,343**	**$1,655,716**	**($1,309,627)**	**-44.2%**	**$1,401,123**	($254,593)	**-15.4%**

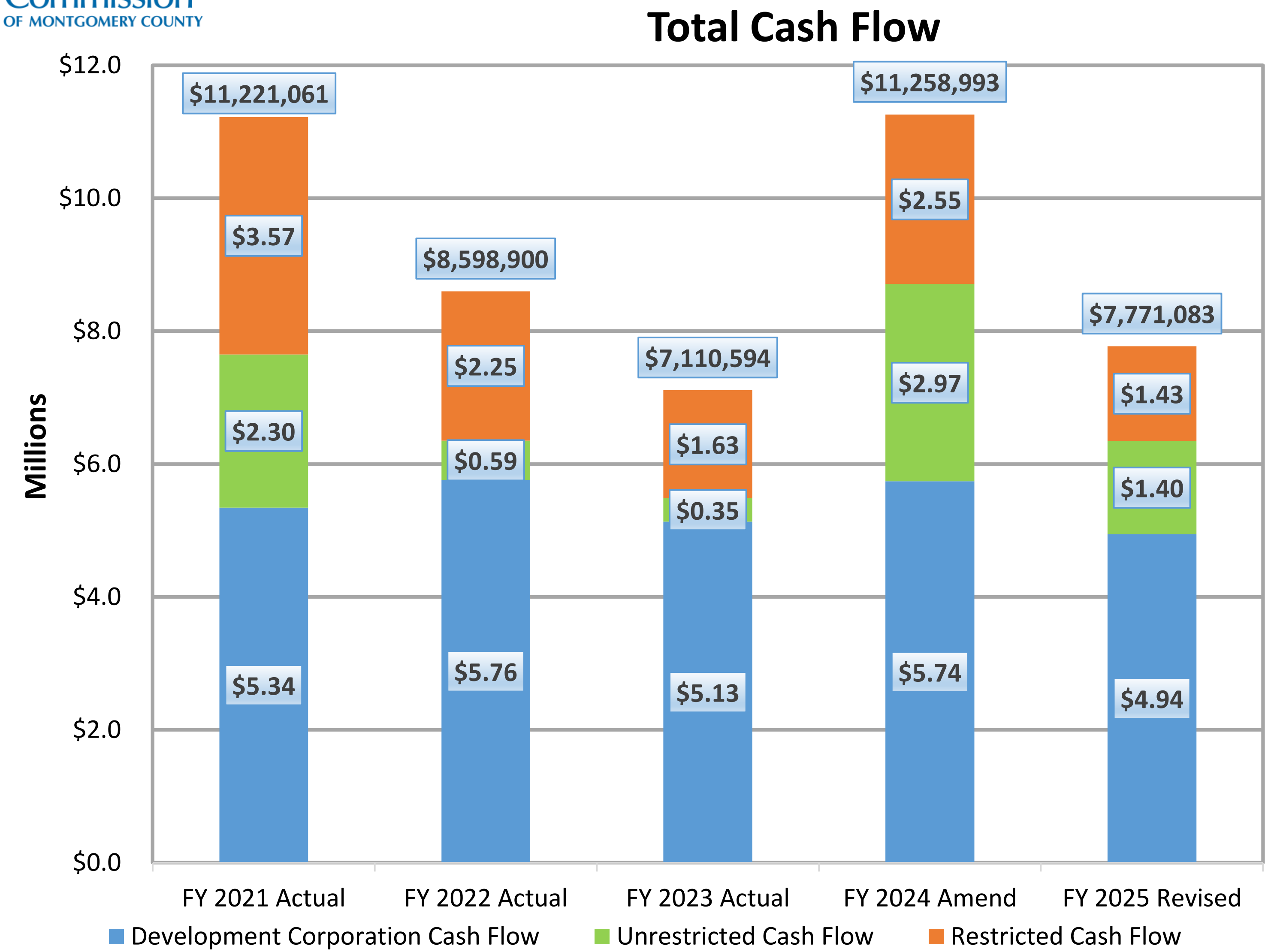
Uses of Funds

FY 2025 Revised Budget

$108,783,405



Cash Flow – FY 2021 through FY 2025



Fund Summary
FY 2025 Revised Budget

Fund Summary Overview	FY 2025 Revised Budget 5/17/2024		
	Revenues	Expenses	Net
General Fund	$33,985,450	$36,495,230	($2,509,780)
Draw from General Fund Operating Reserve ("GFOR")	$854,060	$0	$854,060
Changes to HCVP Utilization	($6,174)	$0	($6,174)
Adjusted Development Corporation Fees Expense for Properties	$141,630	$0	$141,630
Multifamily Bond Funds	$23,163,370	$23,163,370	$0
Single Family Bond Funds	$8,451,710	$8,451,710	$0
Opportunity Housing Fund			
Opportunity Housing Reserve Fund ('OHRF")	$12,970,450	$1,779,950	$11,190,500
Restrict to OHRF	$0	$11,190,500	($11,190,500)
Opportunity Housing & Development Corporation Properties	$110,532,650	$108,898,970	$1,633,680
Reduced Rent Increases based on new VRG of 2.6%	($69,056)	$0	($69,056)
Removal of 10 sold units from MPDU I	($63,956)	$0	($63,956)
Refined Vacancy Loss assumptions	($211,264)	$0	($211,264)
Adjusted draws from Existing Property Cash	($31,439)	$0	($31,439)
Removal of Debt Service for MPDU I	$0	($56,892)	$56,892
Refinements to Debt Service for Battery Lane and Bradley Crossing	$0	($232,169)	$232,169
Adjusted Restricted Cash Flow	$0	$32,283	($32,283)
Adjusted Development Corporation Fees Expense for Properties	$0	$141,630	($141,630)
Adjusted Contribution to Operating Reserves	$0	($415)	$415
Draw from GFOR for MetroPointe Deficit	$22,040	$0	$22,040
Increased draw from GFOR for MetroPointe Deficit	$5,559	$0	$5,559
Public Fund			
Housing Choice Voucher Program ("HCVP")	$139,722,090	$139,722,090	$0
Changes to HCVP Utilization	$1,036,407	$1,036,407	$0
Federal and County Grants	$18,653,980	$18,653,980	$0
Increase to County Main Grant	$322,814	$205,739	$117,075
TOTAL - ALL FUNDS	**$349,480,321**	**$349,482,383**	**($2,062)**

*** Revenues and Expenses include inter-company Transfer Between Funds**

M E M O R A N D U M

TO:	Housing Opportunities Commission of Montgomery County Budget, Finance and Audit Committee
VIA:	Chelsea J. Andrews, President/Executive Director
FROM:	Staff: Timothy Goetzinger, Senior Vice President Finance/CFO Terri Fowler, Budget Officer
RE:	**Fiscal Year 2025 (FY'25) Budget Presentation**: Presentation of the FY 2025 Mortgage Finance and Real Estate Development Budgets
DATE:	May 17, 2024

BACKGROUND:

The FY 2025 Recommended Budget reflects the Agency's commitment to **EXPAND** Affordable Housing in Montgomery County, **ENHANCE** the Lives We Touch through Supportive Services & Partnerships, and **EXCEL** as a World-Class Organization.

The lingering impacts of the COVID-19 pandemic on rental arrearages and rising costs have continued to present challenges in balancing the budget. Limited access to units during the pandemic has resulted in more deferred maintenance in our units, which when combined with rising costs have put upward pressure on budgetary expenses. New leadership in HOC's Asset Management, Property Management and Maintenance divisions will lead the charge of stabilizing rental income and containing costs while providing quality housing to our residents. These efforts combined with continued investment in technology and systems to create a more agile and data-driven decision-making environment, and staff development and advancement will enable the Agency to respond to the aforementioned issues and positively impact property and agency financial performance and improve our customers' experience in accessing resources and assistance.

The Agency's development and financing activities continue to generate commitment and development fees that support the Agency's operations and the Opportunity Housing Reserve Fund, which provides funding for future development activities. The FY'25 Recommended Budget continues to rely on these fees that are one time in nature to support operations. The amount of these fees and the timing of their receipt is dependent upon the ever-changing development landscape, which can impact revenue received during a given fiscal year. Nevertheless, production and preservation must continue to meet HOC's strategic goals as well as those set forth by Montgomery County.

ISSUES FOR CONSIDERATION:

It is worth noting that the Mortgage Finance and Real Estate Development division budgets involve all five funds; the General Fund, Multifamily and Single Family Bond Funds, the Opportunity Housing Reserve Fund ("OHRF") that is a part of the Opportunity Housing Fund, and the County Grant section of the Public Fund.

At the April 3, 2024 Commission meeting, staff presented a recommended balanced budget of approximately **$348.4 million** using a draw of **$854 thousand** from the General Fund Operating Reserves ("GFOR"), which is in alignment with how we have balanced the budget in prior years (see **Slide 2**).

The changes introduced on April 19, 2024 and earlier today are reflected on **Slide 3**. The net impact of these changes results in a negative balance of **($2 thousand)**.

The chart on **Slide 4** shows a 5-year detail of the Mortgage Finance Division. The division generates Loan Management and Commitment Fees on the transactions that are financed by HOC and monitored for loan and regulatory compliance. Commitment Fees, which are one time fees, are split with 40% being unrestricted and go to the General Fund to support Agency operations and 60% restricted to the OHRF for future capital investment in real estate. The **FY 2025 Recommended Budget** included fees of **$7.45 million**, an increase of **$22 thousand** from the **FY 2024 Amended Budget**, of which approximately **$2.98 million** was unrestricted and **$4.47 million** is restricted. Based on revisions in the size and timing of the projected transactions, the **FY 2025 Revised Budget** now includes fees of **$7.08 million**, a decrease of **($372 thousand)** from the **FY 2025 Recommended Budget** of which approximately **$2.83 million** is unrestricted and **$4.25 million** is restricted.

The chart on **Slide 5** reflects the distribution of the **$15.538 million** Source of Funds from Mortgage Finance, which includes Commitment Fees of **$7.085 million** (45.60%) with **$4.251 million** (27.36%) restricted to the OHRF and **$2.834 million** (18.24%) going to the General Fund to support Agency Operations, Bond Draws of **$4.243 million** (27.30%) to support the administrative costs of the Multifamily and Single Family programs (including Agency Overhead), FHA Risk Sharing if **$1.205 million** (7.76%), a County Closing Cost Grant of **$214 thousand** (1.38%), and Loan Management Fees of **$2.791 million** (17.96%).

The chart on **Slide 6** reflects the distribution of the **$5.911 million** Use of Funds for Mortgage Finance, which includes Personnel of **$2.896 million** (48.99%), Other Operating expenses of $**150 thousand** (2.54%), Management Fees of **$1.598 million** (27.03%), Mortgage Insurance and Trustee Fees of **$62 thousand** (1.05%), and FHA Risk Sharing of **$1.205 million** (20.39%).

The chart on **Slide 7** shows a 5-year detail of the Real Estate Development Division. The transfer between funds reflects the draw from the OHRF to pay for Real Estate Division salary and benefits as well as predevelopment funds related to projects that are in the early conceptual or planning stages. The costs are only drawn if the expenses cannot be directly charged to a particular transaction. The FY 2025 Budget also includes a draw of **$105 thousand** for the 0.05% Commitment Fees assessed on outstanding loans from the PNC Line of Credit and Real Estate Line of Credit. Again, the costs will only be drawn if the expenses cannot be directly charged to a particular transaction.

Development Fees, which are one time in nature are split, with 40% being unrestricted and go to the General Fund to support Agency operations and 60% restricted to the OHRF for future capital investments. The **FY 2025 Recommended Budget** includes fees of **$14.16 million**, an increase of **$3.38 million** from the **FY 2024 Amended Budget**, of which approximately **$5.66 million** was unrestricted and **$8.50 million** is restricted. Based on revisions in the size and timing of the projected transactions, the **FY 2025 Revised Budget** now includes fees of **$12.73 million**, a decrease of **($1.427 million)** from the **FY 2025 Recommended Budget** of which approximately **$5.09 million** is unrestricted and **$7.64 million** is restricted.

The changes introduced in this packet are reflected on **Slide 8**. The impact of the changes to Income and Expenses introduced in this presentation result in a decrease of **($720 thousand)** in fee income to the General Fund and a decrease in fee income to the OHRF of **($1.079 million)**. The change in the OHRF will result in more income being restricted to the fund. The change to the General Fund will result in a negative balance of **($722 thousand).**

Staff anticipates that there will be small changes between now and June as a result of updates to the complement, indirect cost model, grant funding, and fees and will present a reconciliation when the FY 2025 budget is presented to the Commission for approval at the June 5, 2024 meeting.

BUDGET IMPACT:
None for FY'24. The budget, when adopted on June 5, 2024, will set the financial plan for the Agency for FY'25.

TIME FRAME:
During April and May 2024, the Budget, Finance and Audit Committee will review the budget proposal in detail and recommend the FY'25 Budget, as amended, to the full Commission for adoption at the June 5, 2024 meeting. The Commission must adopt a budget for FY'25 before the fiscal year begins on July 1, 2024.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:
No action is requested at this time.

Charts Highlighting
FY 2025 Mortgage Finance and
Real Estate Development Budget

Budget, Finance & Audit Committee Meeting

FY 2025 Opportunity Housing

May 17, 2024

Fund Summary
FY 2025 Recommended Budget

Overview - Revenue and Expense Summary

Fund Summary Overview	FY 2025 Recommended Budget		
	Revenues	Expenses	Net
General Fund	$33,985,450	$36,495,230	($2,509,780)
Draw from General Fund Operating Reserve ("GFOR")	$854,060	$0	$854,060
Multifamily Bond Funds	$23,163,370	$23,163,370	$0
Single Family Bond Funds	$8,451,710	$8,451,710	$0
Opportunity Housing Fund			
Opportunity Housing Reserve Fund ('OHRF")	$12,970,450	$1,779,950	$11,190,500
Restrict to OHRF	$0	$11,190,500	($11,190,500)
Opportunity Housing & Development Corporation Properties	$110,532,650	$108,898,970	$1,633,680
Draw from GFOR for MetroPointe Deficit	$22,040	$0	$22,040
Public Fund			
Housing Choice Voucher Program ("HCVP")	$139,722,090	$139,722,090	$0
Federal and County Grants	$18,653,980	$18,653,980	$0
TOTAL - ALL FUNDS	**$348,355,800**	**$348,355,800**	**$0**

*** Revenues and Expenses include inter-company Transfer Between Funds**

Fund Summary

FY 2025 Revised Budget as of April 19, 2024

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Multifamily Bond Funds	$23,163,370	$23,163,370	$0
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Public Fund			
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Federal and County Grants	$18,653,980	$18,653,980	$0
Increase to County Main Grant	$322,814	$205,739	$117,075
TOTAL - ALL FUNDS	**$349,708,847**	**$349,597,946**	**$110,901**

*** Revenues and Expenses include inter-company Transfer Between Funds**

Housing Opportunities Commission OF MONTGOMERY COUNTY

Opportunity Housing Income Overview
FY 2021 through FY 2025

Opportunity Housing and Development Corporations	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2024 Amended Budget	FY 2025 Recomm Budget	FY 2024 Amended to FY 2025 Recommended $ Change	FY 2024 Amended to FY 2025 Recommended % Change	FY 2025 Revised Budget	FY 2025 Recommended to FY 2025 Revised $ Change	FY 2025 Recommended to FY 2025 Revised % Change
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Non-Dwelling Rental Income	$1,572,716	$1,733,768	$1,520,564	$1,390,721	$1,153,793	($236,928)	-17.0%	$1,153,793	$0	0.0%
Federal Grant	$40,645	$44,859	$42,100	$42,000	$42,000	$0	0.0%	$42,000	$0	0.0%
State Grant	$0	$0	$0	$0	$0	$0	0.0%	$0	$0	0.0%
County Grant	$0	$0	$0	$0	$0	$0	0.0%	$0	$0	0.0%
Miscellaneous Income	$300,694	$358,796	$208,254	$113,407	$148,570	$35,163	31.0%	$148,570	$0	0.0%
Investment Interest Income	($12,746)	$180	$1,446	$540	$251	($289)	-53.5%	$251	$0	0.0%
Transfer Between Funds	$2,810,515	$1,838,470	$2,223,629	$1,925,349	$1,767,956	($157,393)	-8.2%	$1,742,076	($25,880)	-1.5%
Total Income	**$105,008,343**	**$106,579,768**	**$106,755,997**	**$111,482,790**	**$110,554,684**	**($928,106)**	**-0.8%**	**$110,184,528**	**($370,156)**	**-0.3%**

Tenant Income includes rental income, concessions, vacancy, laundry and parking income, and various fees (such as late fees, NSF fees, damage fees, etc)

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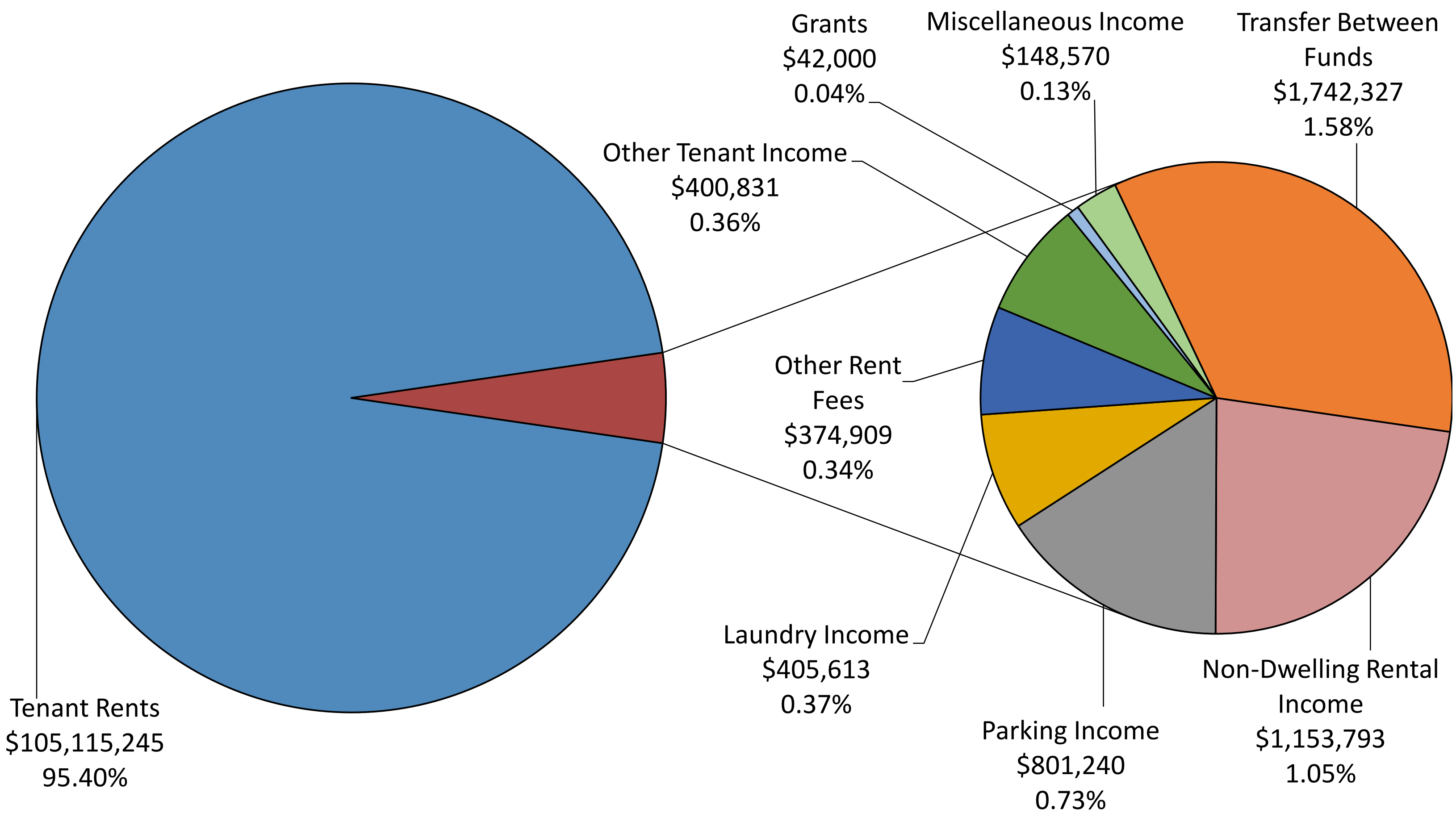
Source of Funds
FY 2025 Revised Budget

$110,184,528



Opportunity Housing Overview
FY 2021 through FY 2025

Opportunity Housing and Development Corporations	FY 2021 Actual	FY 2022 Actual	FY 2023 Actual	FY 2024 Amended Budget	FY 2025 Recomm Budget	FY 2024 Amended to FY 2025 Recommended $ Change	FY 2024 Amended to FY 2025 Recommended % Change	FY 2025 Revised Budget	FY 2025 Recommended to FY 2025 Revised $ Change	FY 2025 Recommended to FY 2025 Revised % Change
Expenses										
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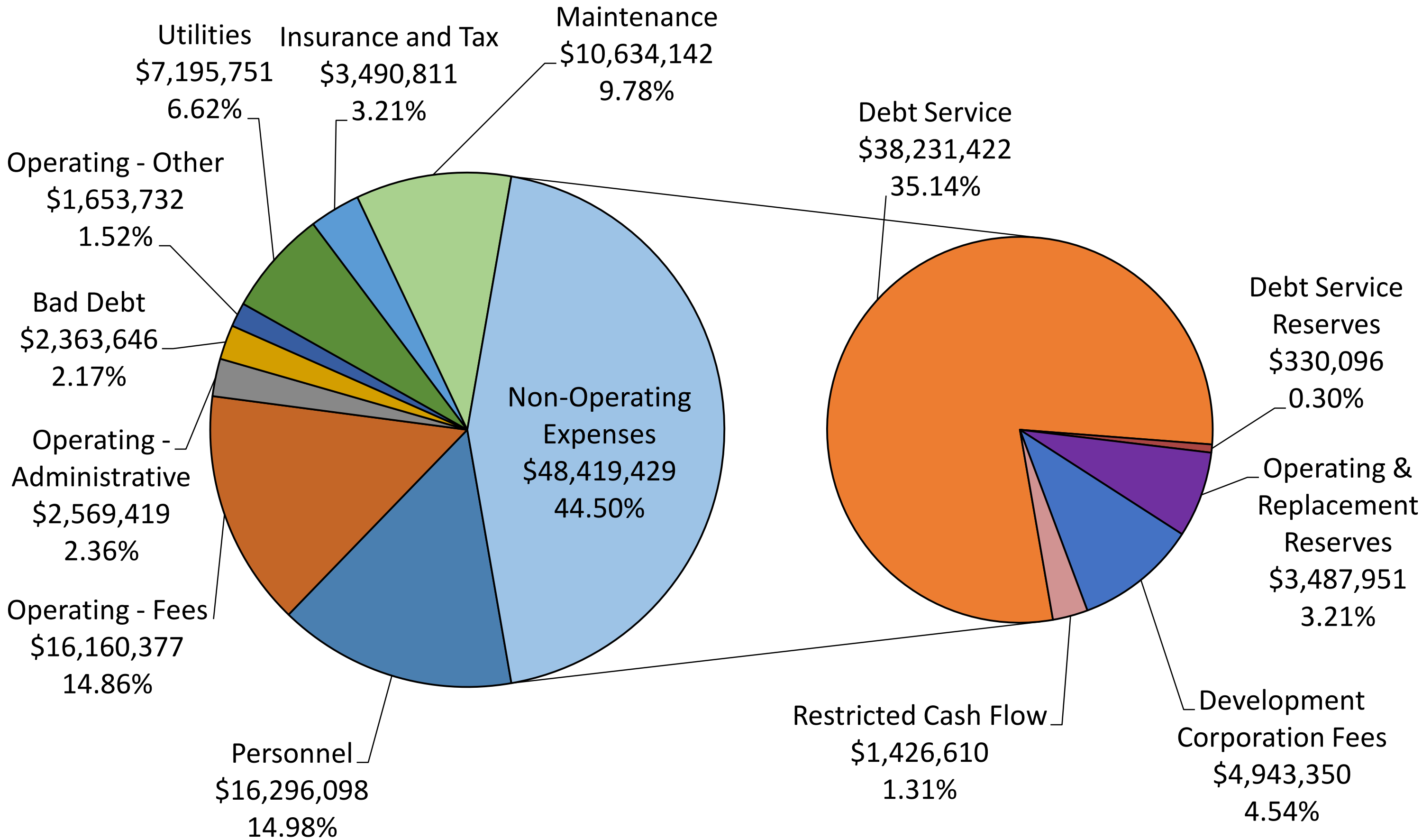
Operating Expenses - Fees	$14,271,450	$14,328,060	$15,243,612	$15,719,638	$16,160,377	$440,739	2.8%	$16,160,377	$0	0.0%
Operating Expenses - Administrative	$2,469,423	$3,176,748	$2,537,848	$2,235,239	$2,569,419	$334,180	15.0%	$2,569,419	$0	0.0%
Bad Debt	$3,324,955	$2,510,454	$2,546,224	$3,399,290	$2,363,646	($1,035,644)	-30.5%	$2,363,646	$0	0.0%
Tenant Services Expenses	$268,432	$224,750	$291,018	$388,948	$542,510	$153,562	39.5%	$542,510	$0	0.0%
Protective Services Expenses	$923,967	$996,939	$1,233,836	$1,303,442	$1,111,222	($192,220)	-14.7%	$1,111,222	$0	0.0%
Utilities Expenses	$6,650,743	$7,628,136	$7,019,782	$6,961,621	$7,195,751	$234,130	3.4%	$7,195,751	$0	0.0%
Insurance and Tax Expenses	$2,800,079	$2,506,574	$3,232,031	$3,307,047	$3,490,811	$183,764	5.6%	$3,490,811	$0	0.0%
Maintenance Expenses	$8,068,170	$10,782,297	$11,111,110	$9,484,817	$10,634,142	$1,149,325	12.1%	$10,634,142	$0	0.0%
Interest Payment	$21,432,131	$23,193,443	$25,671,218	$25,145,142	$25,728,386	$583,244	2.3%	$25,439,325	($289,061)	-1.1%
Mortgage Insurance	$1,161,162	$1,082,601	$1,039,524	$888,773	$995,800	$107,027	12.0%	$995,800	$0	0.0%
Principal Payment	$11,987,691	$12,041,042	$11,297,366	$11,116,130	$11,796,297	$680,167	6.1%	$11,796,297	$0	0.0%
Debt Service Reserves	$2,054,519	$1,854,195	$1,462,549	$1,577,552	$330,096	($1,247,456)	-79.1%	$330,096	$0	0.0%
Operating and Replacement Reserves	$3,564,451	$3,537,675	$3,533,455	$3,433,713	$3,488,366	$54,653	1.6%	$3,487,951	($415)	-0.0%
Restricted Cash Flow	$3,573,368	$2,246,647	$1,628,501	$2,553,913	$1,394,327	($1,159,586)	-45.4%	$1,426,610	$32,283	2.3%
Development Corporation Fees	$5,343,739	$5,758,672	$5,131,472	$5,739,737	$4,801,720	($938,017)	-16.3%	$4,943,350	$141,630	2.9%
Total Expenses	**$102,704,389**	**$105,986,187**	**$106,405,376**	**$108,517,447**	**$108,898,968**	**$381,521**	0.4%	**$108,783,405**	**($115,563)**	-0.1%
NET CASH FLOW	**$2,303,954**	**$593,581**	**$350,621**	**$2,965,343**	**$1,655,716**	**($1,309,627)**	**-44.2%**	**$1,401,123**	($254,593)	**-15.4%**

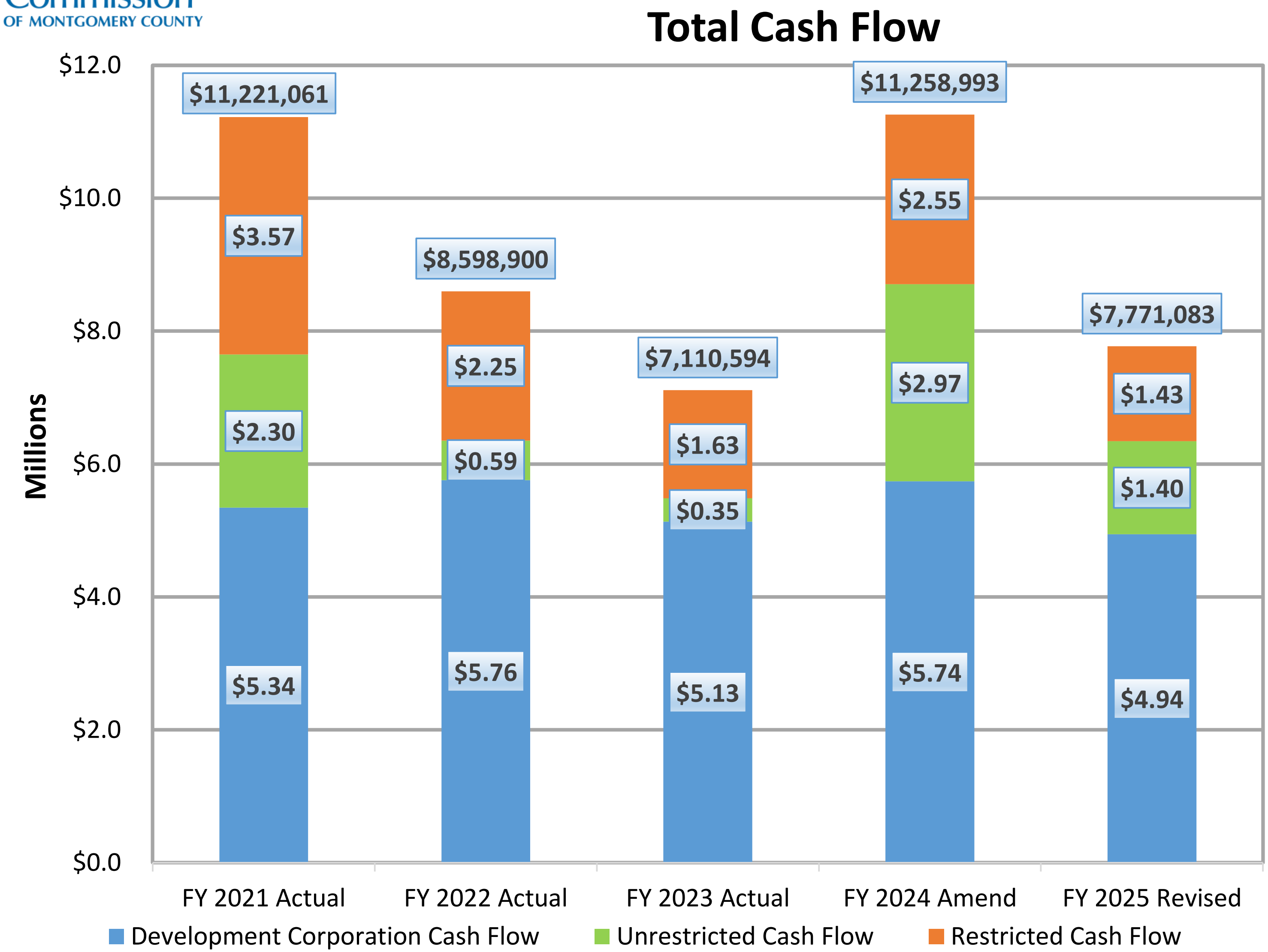
Uses of Funds

FY 2025 Revised Budget

$108,783,405



Cash Flow – FY 2021 through FY 2025



Fund Summary
FY 2025 Revised Budget

Fund Summary Overview	FY 2025 Revised Budget 5/17/2024		
	Revenues	Expenses	Net
General Fund	$33,985,450	$36,495,230	($2,509,780)
Draw from General Fund Operating Reserve ("GFOR")	$854,060	$0	$854,060
Changes to HCVP Utilization	($6,174)	$0	($6,174)
Adjusted Development Corporation Fees Expense for Properties	$141,630	$0	$141,630
Multifamily Bond Funds	$23,163,370	$23,163,370	$0
Single Family Bond Funds	$8,451,710	$8,451,710	$0
Opportunity Housing Fund			
Opportunity Housing Reserve Fund ('OHRF")	$12,970,450	$1,779,950	$11,190,500
Restrict to OHRF	$0	$11,190,500	($11,190,500)
Opportunity Housing & Development Corporation Properties	$110,532,650	$108,898,970	$1,633,680
Reduced Rent Increases based on new VRG of 2.6%	($69,056)	$0	($69,056)
Removal of 10 sold units from MPDU I	($63,956)	$0	($63,956)
Refined Vacancy Loss assumptions	($211,264)	$0	($211,264)
Adjusted draws from Existing Property Cash	($31,439)	$0	($31,439)
Removal of Debt Service for MPDU I	$0	($56,892)	$56,892
Refinements to Debt Service for Battery Lane and Bradley Crossing	$0	($232,169)	$232,169
Adjusted Restricted Cash Flow	$0	$32,283	($32,283)
Adjusted Development Corporation Fees Expense for Properties	$0	$141,630	($141,630)
Adjusted Contribution to Operating Reserves	$0	($415)	$415
Draw from GFOR for MetroPointe Deficit	$22,040	$0	$22,040
Increased draw from GFOR for MetroPointe Deficit	$5,559	$0	$5,559
Public Fund			
Housing Choice Voucher Program ("HCVP")	$139,722,090	$139,722,090	$0
Changes to HCVP Utilization	$1,036,407	$1,036,407	$0
Federal and County Grants	$18,653,980	$18,653,980	$0
Increase to County Main Grant	$322,814	$205,739	$117,075
TOTAL - ALL FUNDS	**$349,480,321**	**$349,482,383**	**($2,062)**

*** Revenues and Expenses include inter-company Transfer Between Funds**

M E M O R A N D U M

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

VIA: Chelsea J. Andrews, President/Executive Director

FROM: Staff: Darcel Cox, Vice President, Compliance

RE: **Fiscal Year 2023 (FY'23) Single Audit Corrective Action Plan**
Presentation of the FY'23 Single Audit Corrective Action Plan

DATE: May 17, 2024

BACKGROUND:
For Fiscal Year 2023, the Housing Opportunities Commission of Montgomery County ("HOC") received a qualified audit opinion for the Section 8 Project Based Cluster and an unmodified audit opinion for the Housing Choice Voucher Program ("HCVP"). As a result, HOC was required to prepare a Corrective Action Plan for submission to the U.S. Department of Housing and Urban Development ("HUD") with a submission date of December 15, 2023.

ISSUES FOR CONSIDERATION:
To provide the Budget, Finance and Audit Committee with a progress update on the FY'23 Corrective Action Plan.

DISCUSSION:
For FY '23, Clifton Larson Allen ("CLA"), HOC's Independent Auditor, performed a review on HOC's internal controls. The review revealed discrepancy in the following areas (i) Eligibility Standards, (ii) Inspections Special Reporting, (iii) Waiting List, and (iv) the Primary Information System ("PIC"). The following is a progress update on each action item.

HOC has implemented the following Project Based Rental Assistance ("PBRA") items from the Corrective Action Plan:

- **Eligibility Standards Revealed the Following Exceptions**:
    - One (1) file with missing documentation needed to support and recalculate total income per HUD-50059 [form].
    - Two (2) files were missing supporting information to substantiate the asset total per HUD-50059 [form].
        - **Corrective Action**: HOC's third party management agent, Edgewood Management's ("Edgewood"), Regional Managers will review move-in files and annual recertifications during monthly inspections of the property. In addition, Edgewood will ensure that the Regional Managers are spot checking and reviewing files throughout the year. The HOC compliance

team will continue to monitor the process and files as part of the Quality Control Site Visits.

- **Progress Update**: With the Corrective Action implemented, the Edgewood Regional Managers review each move-in certification prior to sending the files to the Edgewood's compliance team for final review and approval. In addition, the Edgewood Regional Managers also performs spot check reviews for recertifications. The HOC compliance team will continue to monitor as part of the Quality Control Site Visits.

- **Annual Inspection Standards Revealed the Following Exceptions:**
  - Four (4) files did not have an annual inspection that was completed within the 12-month fiscal year period.
  - Thirty-three (33) files did not have a previous or subsequent inspection performed to verify that the Commission is performing inspections on an annual basis.
    - **Corrective Action:** HOC's third party management agent, Edgewood, will complete inspections in alignment with the annual recertifications. The Edgewood Regional Managers will confirm that inspections are complete and the inspection will be uploaded with the certification. The HOC compliance team will continue to monitor as part of the Quality Control Site Visits.

    - **Progress Update:** Edgewood has implemented conducting annual inspections at the time of recertification. The management agent reviewed all files and completed all inspections that did not have an inspection within the last year. The HOC compliance team will continue to monitor as part of the Quality Control Site Visits.

- **Special Reporting Revealed the Following Exceptions:**
  - Management failed to follow up on one (1) file due to TRACS creating a termination for late processing of reexamination.
    - **Corrective Action:** Edgewood Management Regional Managers will review monthly TRACs reports to ensure TRACs errors are addressed immediately. The HOC Compliance Team will monitor the Secure Portal monthly and follow up with the Edgewood team for any fatal errors not addressed.

    - **Progress Update:** HOC and EMC staff implemented this process immediately following submission of the corrective action plan and continues to follow the monthly process. To date there have not been any errors.

- **Waiting List Documentation Revealed the Following Exceptions:**

- One (1) selection could not be supported by documentation.
  - **Corrective Action:** A new procedure will be implemented immediately requiring staff to upload a printed copy of the electronic wait list application along with the move-in file. The Edgewood compliance team is to verify that the applicant was selected from the waitlist prior to move-in approval.

  - **Progress Update:** The Edgewood Management Compliance team verifies that staff selected the applicant from Housing Path in accordance with HOCs waiting list preferences, prior to providing the final approval. The HOC compliance team will continue to monitor as part of the Quality Control Site Visits. The HOC file review checklist has been updated with this data point. Staff will confirm compliance during site visits.

HOC has implemented the following Housing Choice Voucher Program ("HCVP") items from the Corrective Action Plan which are complete:

- **PIC submissions revealed the following exceptions:**
  - One (1) file for which the Commission failed to correct a fatal error after initial submission. As a result, the HUD – 50058 form was inconsistent with the information reported in PIC.
    - Corrective Action: Submission was delayed as a result of another PHA failing to complete a "port out" action in PIC. HOC could not complete the "port in" action and received a delayed response from the initial PHA. Effective December 2023, a procedure of weekly monitoring will be implemented to curtail PIC fatal errors.

    - **Progress Update:** The Housing Resources team implemented this process immediately following submission of the Corrective Action Plan and continues to follow the weekly process. To date, HRD has not identified areas of concern.

- **Failed Inspection Standards Revealed the Following Exceptions:**
  - Nine (9) files where abatement should have been implemented, but records could not be located.
    - See corrective action below.

- **Annual Inspection Standards Revealed the Following Exceptions:**
  - Thirteen (13) files where the inspections were not completed and passed within the regulatory period.
    - **Corrective Action:** HOC has hired a new Inspections contractor, Gilson Housing Partners, to conduct all inspections effective October 1, 2023.

Gilson Housing Partners will send HOC detailed weekly reports of all inspection activity, including failed units, units requiring abatement, scheduled/rescheduled inspections, and quality control reports. HOC will monitor these reports to ensure they meet program requirements. Gilson will also meet with HOC staff monthly to discuss progress and program operations. Designated staff members will be assigned to place/remove units in abatement. Bi-monthly, the HOC Compliance Team conducts quality control reviews of completed actions. Following completion, staff from the Housing Resources Management, Inspections and HOC Compliance Teams meet to discuss systemic findings and schedule staff training in areas requiring improvement.

- **Progress Update:** Staff implemented this process immediately following submission of the corrective action plan. Gilson sends reports regularly, ranging from daily to monthly. The report of abatement and removal from abatement are sent daily. The HOC Inspections Team and Gilson meet weekly to discuss any open items. In accordance with the Corrective Action Plan, the HOC compliance team performs quality control reviews and meets with HRD staff to discuss findings and areas of improvement.

BUDGET IMPACT:
N/A

TIME FRAME:
N/A

STAFF RECOMMENDATION AND COMMISSION ACTION NEEDED:
N/A – for information and discussion purposes only.

M E M O R A N D U M

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

VIA: Chelsea J. Andrews, President/Executive Director

FROM: Staff: Ali Ozair, Vice President Property Management

RE: **Procurement of Property Management Services:** Renewal of Property Management Contract for The Leggett

DATE: May 17, 2024

STATUS: Consent ____ Deliberation ___X___ Status Report_______Future Action____

BACKGROUND:

In accordance with Appendix IV of the Housing Opportunity Commission of Montgomery County's ("HOC") Procurement Policy of June 7, 2017, staff recommends renewing the management agreement for The Leggett set to expire on July 31, 2024 through 7/31/2025.

The Leggett is currently 77.15% occupied and 78.65% leased and is expected to achieve stabilized occupancy of 93% by 7/31/2024. At the time of the execution of the management agreement, the stabilization date was expected to be 12/31/2023. However, due to delays in construction leading to delayed delivery of units for occupancy along with challenges in leasing the 118 units @ 80% AMI, the stabilization date had to be changed to 7/31/2024. Additionally, the lease-up was impacted by the ongoing construction of the Silver Spring Recreation and Aquatic Center (SCRAAC), which finished in Q1 2024.

First move-ins at the Leggett occurred in May 2023. Habitat has averaged 17.5 leases per month, including 7.5 leases per month for non-affordable units. For market rate senior housing, this is a decent pace. Still, staff continues to address issues and provide support in an effort to complete the lease-up given the time lost to construction issues.

Staff is diligently overseeing the performance of the property to ensure the attainment of stabilization objectives by July 31, 2024. Weekly scheduled meetings are conducted between Habitat and HOC personnel, supplemented by daily dialogues and follow-up activities, all aimed at expediting the stabilization process of the asset without any undue delays.

The following table identifies the Property Management Company, annual contract cost, current contract end date, proposed renewal period.

Property	Current vendor	Annual Contract Cost @100% Occupancy	Current Contract End Date	Proposed Renewal Period
The Leggett	Habitat America	$144,180	7/31/2024	8/1/2024 – 7/31/2025

Habitat America - Habitat America was founded in 1988 and provides property management services in Maryland, Washington DC, Virginia and Delaware. They specialize in age-restricted, market-rate and affordable housing. Their current portfolio consists of 118 properties with 11,727 units under management. They currently manage five (5) properties for HOC including Forest Oak Tower, Willow Manor Fair Hill Farm, Willow Manor Colesville, Willow Manor Cloppers Mill and The Leggett.

ISSUES FOR CONSIDERATION:
Does the Budget Finance and Audit Committee join staff's recommendation that the Commission authorize the President/Executive Director to execute a renewal of the property management contract with Habitat America for The Leggett?

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

TIME FRAME:
Deliberation at the Budget, Finance, and Audit Committee meeting on 5/17/2023 for Commission action at the June 5, 2024 meeting.

STAFF RECOMMENDATION & COMMISSION ACTION NEEDED:
Staff recommends that the Budget Finance and Audit Committee join staff's recommendation that the Commission approve the renewal of the property management services contract with Habitat America for The Leggett.