

Budget, Finance, and Audit Committee

March 15, 2024

10:00 a.m.

Livestream: <https://youtube.com/live/pR-dhOWpGD0?feature=share>

The public is invited to attend HOC’s March 15, 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:

Title	Page #
1. Minutes: Approval of Budget, Finance, & Audit Committee Minutes of February 21, 2024	4

Discussion/Action Items:

Title	Page #																								
<p>1. Procurement of Property Management Services: Approval to Select Management Companies to Provide Property Management Services for Several HOC Properties in Accordance with Requests for Proposal:</p> <table border="1" data-bbox="289 1438 1317 1915"> <thead> <tr> <th data-bbox="289 1438 873 1476">Property Name</th> <th data-bbox="873 1438 1182 1476">Management Company</th> <th data-bbox="1182 1438 1317 1476"></th> </tr> </thead> <tbody> <tr> <td data-bbox="289 1476 873 1514">Barclay Apartments & Fairfax Court</td> <td data-bbox="873 1476 1182 1514">Residential One</td> <td data-bbox="1182 1476 1317 1514">2447</td> </tr> <tr> <td data-bbox="289 1514 873 1551">Fenton Silver Spring</td> <td data-bbox="873 1514 1182 1551">Edgewood Management</td> <td data-bbox="1182 1514 1317 1551">2442</td> </tr> <tr> <td data-bbox="289 1551 873 1589">Pooks Hill Towers & Pooks Hill Court</td> <td data-bbox="873 1551 1182 1589">Edgewood Management</td> <td data-bbox="1182 1551 1317 1589">2444</td> </tr> <tr> <td data-bbox="289 1589 873 1661">Residences on the Lane (Formerly Known as The Upton II)</td> <td data-bbox="873 1589 1182 1661">Edgewood Management</td> <td data-bbox="1182 1589 1317 1661">2454</td> </tr> <tr> <td data-bbox="289 1661 873 1803">RAD 6: Ken Gar, Parkway Woods, Sandy Spring Meadow, Seneca Ridge, Towne Center Place, Washington Square, Camp Hill Square.</td> <td data-bbox="873 1661 1182 1803">Edgewood Management</td> <td data-bbox="1182 1661 1317 1803">2453</td> </tr> <tr> <td data-bbox="289 1803 873 1841">Shady Grove Apartments</td> <td data-bbox="873 1803 1182 1841">Edgewood Management</td> <td data-bbox="1182 1803 1317 1841">2443</td> </tr> <tr> <td data-bbox="289 1841 873 1915">Tanglewood Cluster: Dale Dr, Manchester Manor, Southbridge, Sligo, Tanglewood</td> <td data-bbox="873 1841 1182 1915">Residential One</td> <td data-bbox="1182 1841 1317 1915">2444</td> </tr> </tbody> </table>	Property Name	Management Company		Barclay Apartments & Fairfax Court	Residential One	2447	Fenton Silver Spring	Edgewood Management	2442	Pooks Hill Towers & Pooks Hill Court	Edgewood Management	2444	Residences on the Lane (Formerly Known as The Upton II)	Edgewood Management	2454	RAD 6: Ken Gar, Parkway Woods, Sandy Spring Meadow, Seneca Ridge, Towne Center Place, Washington Square, Camp Hill Square.	Edgewood Management	2453	Shady Grove Apartments	Edgewood Management	2443	Tanglewood Cluster: Dale Dr, Manchester Manor, Southbridge, Sligo, Tanglewood	Residential One	2444	8
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	The Spring Garden Apartments	Edgewood Management	2445		
	The Willows	Edgewood Management	2448		
	Timberlawn Crescent	Edgewood Management	2446		
	Oaks at Four Corners	Edgewood Management	2449		
	Paddington Square	Residential One	2452		

Minutes

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

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

**Budget, Finance, and Audit Committee Minutes
February 21, 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 Wednesday, February 21, 2024 with moderator functions occurring at 10400 Detrick Avenue, Kensington, Maryland beginning at 10:05 a.m. There was a livestream of the meeting held on YouTube, available for viewing [here](#). Those in attendance were:

Present

Roy Priest-- Chair
Jeffrey Merkowitz – Commissioner

Via Zoom

Frances Kelleher – Commissioner

Also Present

Chelsea Andrews, President/Executive Director	Kayrine Brown, Senior Executive Vice President
Aisha Memon, Senior Vice President, Legal Affairs	Timothy Goetzinger, Chief Financial Officer
Terri Fowler, Budget Officer	Zachary Marks, Senior Vice President, Real Estate
Richard Congo	Kai Hsieh
Morgan Tucker	Nilou Razeghi
John Wilhoit	David Brody

Present via Zoom

Tia Blount	John Broullire
Matt Husman	Sean Asberry
Len Villicic	LeNeisha Carroll
Ali Ozair	

IT Support

Aries “AJ” Cruz

Commission Support

Jocelyn Koon, Senior Executive Assistant

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

APPROVAL OF MINUTES

1. Approval of Budget, Finance and Audit Committee Minutes December 20, 2023

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

ACTION/DISCUSSION ITEMS

1. Fiscal Year 2024 (FY'24) Second Quarter Budget to Actual Statements: Presentation of Second Quarter FY'24 Budget to Actual Statements

Commissioner Priest introduced Chelsea Andrews, President, to provide an overview of the presentation. President Andrews introduced Tim Goetzinger, Chief Development Funds Officer/Chief Financial Officer, and Terri Fowler, Budget Officer, to provide a summary of the financial positions of the agency. Staff addressed questions from the Committee. Kai Hsieh, Assistant Budget Officer provided further presentation. Staff recommended that the Budget, Finance and Audit Committee join its recommendation to the Commission to accept the Second Quarter FY'24 Budget to Actual Statements. The motion was moved by Commissioner Merkowitz and seconded by Commissioner Kelleher. Affirmative votes were cast by Commissioners Kelleher, Nelson, and, Priest.

2. Fiscal Year 2024 (FY'24) Second Quarter Unaudited Financial Statements: Presentation of the Unaudited Financial Statements for the Second Quarter ended December 31, 2023.

Commissioner Priest introduced Chelsea Andrews, President, to provide an overview of the presentation. President Andrews introduced Tim Goetzinger, Chief Development Funds Officer/ Chief Financial Officer, and Eugenia Pascual, Controller, to provide a summary of the financial positions of the agency. Staff addressed questions from the Committee. The Commission acknowledged receipt of the report presentation and moved on to the next agenda item.

3. Uncollectible Tenant Accounts Receivable: Presentation of Request to Write- Off Uncollectible Tenant Accounts Receivable (October 1, 2023 - December 31, 2023)

Commissioner Priest introduced Chelsea Andrews, President, to provide an overview of the presentation. President Andrews introduced Timothy Goetzinger, Chief Development Funds Officer/ Chief Financial Officer, and Nilou Razeghi, Accounting Manager, who provided the detailed presentation. Staff addressed questions from the Committee. Staff requested that the Budget, Finance, and Audit Committee join its recommendation to the Commission authorizing the write-off of uncollectible tenant accounts receivable of \$368,862. The motion was made by Commissioner Merkowitz and seconded by Commissioner Kelleher. Affirmative votes were cast by Commissioners Kelleher, Priest, and, Merkowitz.

Based upon this report and there being no further business to come before this session of the Committee, the Committee adjourned the meeting at 11:01 a.m.

Respectfully submitted,

Chelsea Andrews
Secretary-Treasurer

/mpt

Discussion Items

**PROCUREMENT OF PROPERTY MANAGEMENT SERVICES: APPROVAL TO
SELECT MANAGEMENT TO PROVIDE PROPERTY MANAGEMENT SERVICES FOR
SEVERAL HOC PROPERTIES IN ACCORDANCE WITH REQUESTS FOR PROPOSAL**

Property Management Services



CHELSEA J. ANDREWS, PRESIDENT & EXECUTIVE DIRECTOR

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

3/15/2024

Table of Contents

Topics	Page
Executive Summary	3-4
Property Management Agreement	5
Selection of Property Management Company – Scoring Criteria	6-7
Selection of Property Management Company – Firm Experience	8
Management Fee Analysis	9-10
Summary and Recommendations	11

Executive Summary

During February 2024, HOC issued 12 Requests for Proposals (“RFPs”), soliciting responses from firms to provide property management services for 24 HOC-owned properties. A total of 39 responses were received from four (4) property management companies: Edgewood Management, CAPREIT, Habitat America, Residential One.

After review of the 39 proposals, staff recommends that the Commission authorize the President of HOC to negotiate and execute contracts to select the management companies for 24 properties, as listed in slide #4.



Executive Summary

Property Name	CY/FY	Current Management Co	Awardee
BARCLAY APARTMENTS & FAIRFAX COURT	FY	Residential One	Residential One
FENTON SILVER SPRING	CY	Edgewood Management	Edgewood Management
POOKS HILL TOWERS & POOKS HILL COURT	FY	Edgewood Management	Edgewood Management
RESIDENCES ON THE LANE (FORMERLY KNOWN AS - THE UPTON II)	CY	Edgewood Management	Edgewood Management
RAD6 – KEN GAR, PARKWAY WOODS, SANDY SPRING MEADOW, SENECA RIDGE, TOWNE CENTER PLACE, WASHINGTON SQUARE, CAMP HILL SQUARE	FY	Edgewood Management	Edgewood Management
SHADY GROVE APARTMENTS	CY	Edgewood Management	Edgewood Management
TANGLEWOOD CLUSTER - DALE DRIVE, MANCHESTER MANOR, SOUTHBRIDGE, SLIGO APARTMENTS, TANGLEWOOD APARTMENTS	CY	Residential One	Residential One
SPRING GARDEN APARTMENTS	CY	Edgewood Management	Edgewood Management
THE WILLOWS APARTMENTS	FY	Edgewood Management	Edgewood Management
TIMBERLAWN CRESCENT	FY	Edgewood Management	Edgewood Management
OAKS @ FOUR CORNERS	FY	Edgewood Management	Edgewood Management
PADDINGTON SQUARE	FY	Residential One	Residential One

CY=Calendar Year; FY= Fiscal Year

3/15/2024



Property Management Agreement

Currently, HOC deploys three forms of management agreements, Contract Assisted and Contract Managed. The properties where HOC has Contract Assisted agreements, HOC provides the maintenance for those properties.

1. Full Third-party Property Management and Maintenance, including full Financial and Accounting Services
2. Full Third-party Property Management with full HOC Maintenance
3. Contract Assisted Third-party Property Management with full HOC Maintenance
 - Excludes the full Financial and Accounting Services at the properties and by contract, if these services were to be performed by the management companies, the service would be added to the contract and the compensation increased accordingly.

The Requests for Proposals required that all proposals assume the agreement would be subject to full Third-Party Property Management and Maintenance as described in #1 above. This change will impact the thirteen (12) properties listed below and result in an increased management fee to compensate for the increased responsibilities.

Property Name	Units	Address
1. KEN GAR	19	10719 Shaftsbury Street Kensington, MD 20895
2. Parkway Woods	24	12933 Twinbrook Parkway Rockville, MD 20851
3. Sandy Spring Meadow	56	1 Branchwood Court Sandy Spring, MD 20860
4. Seneca Ridge	71	19568 Scenery Drive Germantown, MD 20876
5. Towne Center Place	49	3502 Morningwood Drive Olney, MD 20832
6. Washington Square	50	8343 Fairhaven Drive Gaithersburg, MD 20877
7. Camp Hill Square	51	17825 Washington Grove Lane Gaithersburg, MD 20877
8. Dale Drive	10	527 Dale Drive Silver Spring, MD 20910
9. Manchester Manor	53	8401 Manchester Road Silver Spring, MD 20901
10. Southbridge	39	7411 Aspen Court Takoma Park, MD 20912
11. Tanglewood & Sligo Apts	132	9002 Manchester Road Silver Spring, MD 20901
12. Paddington Square	165	8800 Lanier Drive Silver Spring, MD 20910

Selection of Property Management Company – Scoring Criteria

HOC issued 12 RFPs for Property Management Services for 24 properties in accordance with HOC’s Procurement Policy.

HOC received responses from four (4) management companies. The scoring teams (consisting of staff from Property Management, Asset Management, and Maintenance) completed their reviews of the responses in March 2024, based on the following evaluation criteria:

Criteria #	Criteria Description	Maximum Points
0	Minimum Qualifications <ul style="list-style-type: none"> Respondent submitted all information requested in the RFP. Respondent met the minimum experience threshold. Respondent demonstrated financial viability. 	Y/N <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
1	Qualifications and Capabilities <ul style="list-style-type: none"> Respondent demonstrated sufficient experience in managing properties similar to the Property. Respondent demonstrated how their general experience would be applicable at the Property. Respondent demonstrated experience working with non-profits, PHAs, and/or government agencies. Respondent demonstrated sufficient experience of its executive staff, and proposed on-site and off-site staff. Respondent demonstrated sufficient experience and methodologies for handling customer satisfaction. Respondent outlined their programs regarding diversity, equity and inclusion. Respondent demonstrated sufficient experience handling crises and other major events. 	Up to 25

Selection of Property Management Company – Scoring Criteria (cont'd)

Criteria #	Criteria Description	Maximum Points
2	Current and Past Performance Respondent must submit information on the following: <ul style="list-style-type: none"> · Rent charges vs. collection history · Occupancy · Turnover/vacancies · NOI and debt at other managed properties · Aged Accounts Receivable 	Up to 20
3	Proposed Property Plan Quality of and detail in the proposed Pre-Leasing and Marketing Plan, Management Plan, Maintenance Plan, Subcontracting Plan, and Staffing Plan for the Property.	Up to 15
4	Management Fee/Vendor Costs The detail and affordability of the proposed management fee(s).	Up to 25
5	MFD Participation <ul style="list-style-type: none"> ○ Up to 5 points for direct MFD efforts ○ Up to 10 points for subcontracts and wages 	Up to 15

Selection of Property Management Company – Firm Experience

Staff reviewed the submissions of each respondent and proposes to retain Residential One and Edgewood Management for 24 properties as listed in slide #4.

Residential One

The Company is an award-winning property management firm with close to 10,000 units under its management. The firm represents third parties, including individual owners, non-profit, and for profit organizations, family trusts, government, and quasi-government agencies in Maryland, DC, and Virginia. Residential One currently manages thirteen (13) properties for HOC.

Current HOC Managed Properties	
Property Name	Occupancy
The Barclay	96%
Tanglewood & Sligo	93%
Fairfax Court Apts	94%
Diamond Square	97%
Southbridge	95%
Paddington Square	92%

Edgewood Management (“EMC”)

The Company is a well-known property management company that has been providing property management services in the Metropolitan area since 1971. Edgewood has a long history with HOC and manages several properties in the portfolio, including senior, multifamily, and scattered sites. EMC currently manages twenty-five (25) HOC properties.

Current HOC Managed Properties	
Property Name	Occupancy
The Willows	100%
Spring Garden Apts	98%
Arcola Towers	94%
Bauer Park	92%
Alexander House	92%
Waverly House	94%

Management Fee Analysis

For several quarters, the Commission has authorized extensions or renewal of property management contracts with incumbent management companies, while it worked with staff to develop a standardized approach to procuring such services. The result has been beneficial to HOC in that there have been little or no increases to its management fee structure. However, the new proposal reflects current industry standard fee and inflationary adjustments. To establish the impact of the proposals, the table below compares the current budgeted fees, which are based on expected occupancy levels, versus the proposals assuming 100% occupancy. Overall, the net effect is an increase of \$236,864.

See table on slide 10.

Management Fee Analysis (cont'd)

Property Name	CY/FY	Awardee	FY24/CY24 Budgeted Fees	Proposed Fee @ 100% Occupancy	Delta vs Budget
BARCLAY APARTMENTS & FAIRFAX COURT	FY	Residential One	\$78,396	\$90,300	(\$11,904)
FENTON SILVER SPRING	CY	Edgewood Management	\$62,000	\$74,400	(\$12,400)
POOKS HILL TOWERS & POOKS HILL COURT	FY	Edgewood Management	\$120,658	\$143,400	(\$22,742)
RESIDENCES ON THE LANE (FORMERLY KNOWN AS - THE UPTON II)	CY	Edgewood Management	\$75,600	\$90,000	(\$14,400)
*RAD6 – KEN GAR, PARKWAY WOODS, SANDY SPRING MEADOW, SENECA RIDGE, TOWNE CENTER PLACE, WASHINGTON SQUARE, CAMP HILL SQUARE	FY	Edgewood Management	\$94,560	\$192,000	(\$97,440)
SHADY GROVE APTS	CY	Edgewood Management	\$69,804	\$86,400	(\$16,596)
*TANGLEWOOD CLUSTER - DALE DRIVE, MANCHESTER MANOR, SOUTHBRIDGE, SLIGO APTS, TANGLEWOOD APTS	CY	Residential One	\$114,670	\$120,744	(\$6,074)
THE SPRING GARDEN APARTMENTS	CY	Edgewood Management	\$39,396	\$49,200	(\$9,804)
THE WILLOWS APARTMENTS	FY	Edgewood Management	\$91,728	\$117,000	(\$25,272)
TIMBERLAWN CRESCENT	FY	Edgewood Management	\$54,024	\$64,200	(\$10,176)
OAKS @ FOUR CORNERS	FY	Edgewood Management	\$59,868	\$72,000	(\$12,132)
*PADDINGTON SQUARE APARTMENTS	FY	Residential One	\$87,216	\$85,140	\$2076
			\$947,920	\$1,184,784	(\$236,864)

*Indicates change in form of contract to fully 3rd Party managed.

Summary and Recommendations

Issues for Consideration:

Does the Budget, Finance, and Audit Committee wish to join staff's recommendation to the full Commission to award the property management services contracts to the management companies proposed herein?

Budget Impact:

For **fiscal year properties**, the proposed fee has been factored into the FY 2025 budget based on the projected occupancy. The recommended FY 2025 budget will be presented to the Commission on April 3, 2024.

For **calendar year properties**, the impact of the change in fees to CY 2024 budget will be pro-rated based on the implementation date and actual occupancy. Once implementation has occurred, staff will determine if the resulting change is significant enough to warrant a budget amendment, and if so, it will be presented to the Budget Finance and Audit Committee and Commission at a later date.

Time Frame:

For deliberation at the Budget, Finance, and Audit Committee meeting on March 15, 2024, and formal action at the April 3, 2024 meeting of the Commission.

Staff Recommendation and Commission Action Needed

Staff recommends that the Budget, Finance, and Audit Committee join its recommendation to recommend to the full Commission to award the property management services contracts to the management companies proposed herein.

Adjourn